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Cuba

Commentary Criticizes U.S. 'Meddling' in Bolivia

PA2303042595 Havana Radio Havana Cuba in Spanish 0100 GMT 22 Mar 95

["Our America" commentary by Amalia Sanmartino; from the "Evening Information Review" newscast]

[FBIS Translated Text] With the periodic deployment of troops, reiterated visits by DEA experts, and even verbal offenses by its ambassador, the United States has not ceased for a number of years to exercise a policy of meddling in Bolivia, under the pretext of fighting narcotrafficking.

In the past few days, politicians and reporters have denounced the possibility of a U.S. invasion of this nation, whose principal objective would be to pressure Colombia and Peru. The often heard argument of the antidrug struggle has spurred the United States—a country which has been ineffective in its struggle against drug addiction and which has not drafted social programs to eradicate the problem—to constantly pressure Bolivia to eradicate its cultivations of coca leaves.

Although Washington insists and exerts pressures—and the pressures began early this year—Bolivian authorities have acted cautiously, knowing well the social problem that would be caused by the drastic eradication of the coca cultivations, without offering a viable economic alternative to the thousands of families that earn their living this way.

The United States also insists that Bolivia sign an extradition treaty for alleged narcotraffickers, but the government of the Latin American country is perhaps more careful in this regard about giving a positive response, because it fears that afterward, U.S. forces will apply the policy indiscriminately in the face of any problem.

In the past few days, amid the current tension in bilateral relations, 40 U.S. military personnel have been in Bolivian territory, without Congress having authorized their entry. The group is part of a total of 126 that are expected to arrive soon.

Sucre Mayor German Gutierrez has said the U.S. military invasion could become effective to force Bolivia to eradicate the coca cultivations and to sign the often mentioned extradition treaty. Although this could be one of the objectives, the other one could be a possible example to Colombia and Peru of what could happen to them if they do not follow Washington's orders on narcotrafficking. If the predictions and warnings made in Bolivia are fulfilled, aside from being an outrage of Bolivian sovereignty, it would be another evidence that the United States is incapable of changing its old political customs, much less stopping its use of force and arrogance, when it thinks conflicts necessarily call for the presence of its troops.

Why doesn't the U.S. Government use its troops to control its local drug- trafficking mafias, which even take their dirty businesses to the doors of schools? Why doesn't it exert better control in its country instead of always looking for the origin of its problems outside the national territory? If the United States promoted social programs for its drug addicts and supplied more financial aid for poor countries from where the coca leaves emanate instead of sending troops to where the main raw material is cultivated, it would not have to send troops and give rise to general discontent.

Also, by helping the poor countries it would only be returning what wealthy nations, including the United States, have sacked for centuries. That would be far better than going around promoting aggression and interference. That will not happen, however. On the contrary, the U.S. Government has warned it will suspend economic aid to Bolivia unless the coca cultivations are eradicated.

Now, in addition to the economic threats, there are the U.S. troops. How much longer?

Vietnamese Interior Minister Arrives on Official Visit

PA2103133895 Havana PRENSA LATINA in Spanish 2303 GMT 20 Mar 95

[FBIS Translated Text] Havana, 20 Mar (PL)—Army Colonel General Bui Thien Ngo, the Vietnamese interior minister, today began an official visit to Cuba geared to strengthening bilateral ties.

The AGENCIA DE INFORMACION NACIONAL reported that Corps. General [General de Cuerpo de Ejercito] Abelardo Colome Ibarra, the Cuban interior minister, received Thien Ngo and the delegation accompanying him, at the Jose Marti International Airport.

During his visit to the country, the visitor will talk with government officials and will visit centers of scientific and cultural interest.

Robaina Holds Meetings, Receives Canadian Senate Praise

FL2303031995 Havana Cuba Vision Network in Spanish 0100 GMT 23 Mar 95

[From the "NTV" newscast]

[FBIS Translated Text] Cuban Foreign Minister Roberto Robaina held important meetings in Ottawa during the third day of his work visit to Canada. He met Brian Tobin, Canadian minister of Fisheries and Oceans; and Janet Lowell, president of the Canadian Development Agency [title as heard].

Robaina also met several solidarity-with-Cuba legislators in the Canadian Parliament, and received a public commendation from the Canadian Senate president.

$1.3 Million IAEA Aid Package To Fund 11 Projects

FL2203164795 Havana Radio Rebelde Network in Spanish 1255 GMT 22 Mar 95

[From the "Doing Radio" program]

[FBIS Translated Text] The International Atomic Energy Agency has earmarked over half of its 1995-96 technical cooperation budget for priority development projects in Cuba. The $1.3-million aid package will subsidize 11 projects. The aid does not include subsequent programs on immunology experiments on animal diseases, diagnosis and radiological safety. However, agriculture, industry, and radioactive marking of monoclonal antibodies are some of the areas that are to benefit. Projects include developing national alternative energy sources and nuclear technologies in agriculture, application of nucleonic instruments, and treatment of low level radioactive waste.

Cuban Vice President Meets With Chinese Entrepreneurs

SK2203061595 Beijing XINHUA Domestic Service in Chinese 0942 GMT 18 Mar 95

[By reporter Hou Yaoqi: "Vice President of Cuba Lage Meets With Delegation of Chinese Entrepreneurs"]

[FBIS Translated Text] Havana, 17 Mar (XINHUA)—On the evening of 16 March at a meeting with the delegation of Chinese entrepreneurs headed by Zheng Hongye, chairman of China Council for the Promotion of International Trade, Carlos Lage, vice president of the Council of State of Cuba, said that Cuba and China have good, long-standing relations and that based on this, both sides should further develop economic and trade relations with the spirit of equality and mutual benefits. To this end, Cuba is willing to provide all conveniences for Chinese enterprises to invest and seek cooperation partners in Cuba.

During the meeting, Lage praised China for the gigantic achievements it has made under the guidance of the reform and open policies and also introduced to the Chinese delegation, Cuba's measures for further enhancing reforms and expanding the scale of opening up.

At the invitation of the Cuban Chamber of Commerce, the delegation arrived in Havana on 15 March to pay a four-day visit. At the report meeting sponsored by the Cuba Chamber of Commerce on 16 March, Chairman Zheng Hongye introduced China's reform and open policies and China's economic development situation. The nearly 20 personages of Chinese enterprise circles who were members of the delegation held business talks with relevant companies of Cuba. It was reported that both sides expressed great interest and willingness to expand mutual cooperation.

Cuba is the first stop of the Chinese entrepreneur delegation which is to visit three Latin American countries this time. The delegation will next visit Argentina and Brazil.

Chilean Communist Party Official Arrives for Visit

PA2103133495 Havana PRENSA LATINA in Spanish 2136 GMT 20 Mar 95

[By Javier Rodriguez]

[FBIS Translated Text] Havana, 20 Mar (PL)—Gladys Marin, secretary general of the Communist Party of Chile, said in this capital today the Chilean people fervently want the restoration of diplomatic relations with Cuba.

Marin arrived on the island heading a delegation of her party, accompanied by Lauterio Carmona and Jose Ortiz, members of her party's political commission, on an invitation from the Central Committee of the Cuban Communist Party (PCC).

In statements to PRENSA LATINA, Marin said she was extremely pleased to be on the Antillean island, because "it is a country and a people whom the Chileans like so much."

She said the ties between the two peoples have never been broken regardless of government decisions. She said the ties between the two countries date back to the previous century, when they were firmly fighting for their independence.

She reiterated her party's desire in getting the current Chilean administration to restore diplomatic relations with Cuba, thereby materializing the people's demands.

Marin said the Chilean delegation will hold meetings with PCC and government leaders as well as with National Assembly leaders during their stay on Cuba and will tour important economic and scientific centers.

We will have the opportunity to see the Cuban experience firsthand and will be able to witness how the country comes out ahead despite the difficulties and the complex and historic moments the world is experiencing, she said.

The Chilean leader is visiting the Caribbean island for the first time after having been appointed secretary general of the Chilean Communist Party.

The delegation will visit the Genetics and Biotechnology Engineering Center tomorrow and will meet with officials from the Central Committee of the Cuban Communist Party according to her schedule.

Havana Building Restoration Planned With Spanish Partner

FL2203211595 Havana Tele Rebelde Network in Spanish 1730 GMT 22 Mar 95

[From the "NTV" newscast]

[FBIS Translated Text] Cuba's first real estate office has been established, a joint venture between the Havana City historian's office and Argentaria, a Spanish real estate group. Carlos Lage, vice president of the Council of State, attended the ceremony that took place in Havana City's museum. Eusebio Leal and Jose Maria Fernandez Rico, the Spanish representative, signed the documents for creation of the new company, Auria Real Estate. Eusebio Leal was interviewed by reporter Hilda Prieto.

[Begin recording] [Prieto] What are the goals of this new company?

[Leal] This company is the perfect vehicle for restoring a building of such enormous historic value as the old Lonja del Comercio building. The restoration is scheduled to take two years and is the result of an association betweeen Argentaria, a very powerful Spanish financial organization, and the Havana City historian's office. This joint venture results in Auria Incorporated, the goal of which is to restore the building, then to jointly administer it for a 25-year period. Both parties will benefit, the value of the building will be maintained, and the building will be restored to become the most modern office building in Havana City in just 24 months. [end recording]

FEU President Reviews Agenda for 5th Congress

FL2203195995

[FBIS Translated Editorial Report] Havana Radio Rebelde Network in Spanish at 1255 GMT on 22 March 95 carries a live studio interview with Otto Rivero Torres, President of the Federation of University Students [FEU].

Rivero begins by saying that the train carrying FEU delegates to Havana is due to arrive at 1400 GMT, and notes that the students will then march from the former home of Marti to Central Park and on to the University of Havana, where 5th FEU congress will open in the Great Hall.

The reporter notes that several commissions will be working in various locations in Havana and will meet together on 24 and 25 March at the Convention Center. Rivero says that the agenda is very full, and notes that there will be meetings with the Committees for the Defense of the Revolution, meetings at Havana production facilities, and that the eight commissions will convene on 23 March. Regarding the commissions, Rivero states: "They will first study in depth the ministries' contributions to the founding of the FEU. I am referring directly to the commissions from the Ministry of Higher Education, the Ministry of Education, the Ministry of Public Health, and the National Institute for Sports, Physical Education, and Recreation, all of which helped form the FEU. Other commissions important to the universities are the defense commission, the international relations commission—particularly important in this process because of the foreign students attending the University—and another commission which will be working on internal FEU organization. We will all meet jointly at a plenum on 24 and 25 March." Rivero notes the historic importance of this date, the 100th anniversary of Marti's writing of the Manifesto of Montecristi. He goes on to state that: "the main issues discussed at the plenum will be job placement—an important element in this context, an element that will naturally be carried out under different economic conditions, as everyone knows. Ideology education, political education, and scientific research at the university will be thoroughly discussed by the commissions at the plenum."

The reporter refers to preparatory meetings held at all the universities and asks Rivero to comment on the issues most important to the students. Rivero replies that the process began on 20 December 1994, and notes that the process of brigade and faculty meetings and assemblies carried out in every university forms the base for the FEU congress. He adds: "They not only studied the FEU proposed issues of fraud, research and political education, but issues directly relating to the current conditions in Cuba, and issues particular to each university. Two timely and well studied issues were that of job placement—as I mentioned earlier it was considered in the context of the new economic conditions in Cuba—and the issue of the economy and the student." Rivero goes on to say they have concrete plans to deal with the issues, citing a plan to reduce both student transportation costs and student tickets to cultural events 50 percent. He adds that this should resolve some of the concerns, since students have no income. Rivero indicates that universities' funds are spent assuring that every student has a professor, and housing, and that the loan system has shortcomings. Rivero concludes by stating that the students have been highly participative and very receptive to the concrete solutions to be proposed at the 5th FEU congress.

Rivero thanks Radio Rebelde for their efforts in covering the entire process of the congress. In response to a query by the reporter Rivero acknowledges that he is about to conclude his work with the FEU and will miss the organization.

Radio Summary of 'Most Important' News

FL2203154795 Havana Radio Progreso Network in Spanish 1200 GMT 23 Mar 95

[From the "First Thing" program]

[FBIS Translated Text] Summary of the most important news broadcast thus far:

—Pedro Ross Leal, secretary general of the Cuban Workers Federation, has urged Cuban workers to reflect on the commitment to confront and overcome the challenges of the special period during the May Day ceremonies which will be observed under the slogan: Yesterday and Today—struggle and victory.

—So far, Cuba has attained a total of 63 gold medals in the 10th Pan American Games taking place in Mar del Plata, Argentina, with Tuesday's [21 March] three gold medals in field and track, and one gold medal in rhythmic gymnastics.

—On the second day of his official visit to Canada, Foreign Minister Roberto Robaina visited the opening of a nickel-plus-cobalt refinery, of which Cuba and Canada are joint shareholders, in Alberta Province.

—The opening of the Fifth Federation of University Students Congress will be held today at the ceremonial hall of Havana University. The congress, attended 516 by delegates from across the country, concludes on Saturday [25 March].

—The National Food Union and Guantanamo Province presented progress reports before the secretariat of the Cuban Workers Federation.

—A dozen Cuban students and researchers comprise the historic scientific expedition: Through the Route of Marti and Gomez; which departs today for Montecristi in the Dominican Republic.

—U.S. President William Clinton reiterated that the United States is in no condition to accept all the Cuban rafters held at the Guantanamo Naval Base.

—Carlos Lage, vice president of the Council of State, attended on Tuesday the official presentation of the Auria Real State Company, S.A., the first real state company in Cuba, formed by the merging of the Spanish group Argentaria and the Cuban company Habaguanex.

—Ten people have died as result of the highly toxic sarin gas attack Monday in Tokyo's metro.

—Belgium delegates will soon present in their parliament a resolution condemning the U.S. Blockade of Cuba as reported in Havana by the Cuban Institute of Friendship with Peoples.

—Commander of the Revolution Juan Almeida Bosque, member of the Politburo, attended the reception held yesterday at the Namibian Embassy as part of the observance of the fifth anniversary of Namibia's independence.

—The Fifth International Crafts Fair—Fiart-95—opened its doors yesterday at Pabexpo, with a call to preserve cultural roots to confront the standardization common to today's world.

—Students, teachers, philosophers, historians, and other professionals will be invited to discuss important national issues at the National Assembly of the People's Government's hearings in April.

—Culture Minister Armando Hart stressed the validity of Jose Marti's revolutionary doctrine during a master conference at the University of Valencia, before departing that Spanish city.

Scientific Institutes Automate Production Processes

PA2303124195 Havana PRENSA LATINA in Spanish 2201 GMT 22 Mar 95

[FBIS Translated Text] Havana, 22 Mar (PL)—Several Cuban scientific institutes have automated their production processes with the help of software designed by experts of the Central Institute for Digital Research (ICID).

These computer programs have permitted the leading biotechnological and pharmaceutical industries to develop technological and productive processes that meet the quality of international standards.

The National Center of Biopreparations [Centro Nacional de Biopreparados] (Biocen), the National Center for the Prevention of Laboratory Animals [Centro Nacional Para la Prevencion de Animales de Laboratorio] (Cenpalab), and the Monoclonal Antibodies Plant [Planta de Anticuerpos Monoclonales] are among the island institutes that have fully automated their production and data processing.

The programs prepared by the ICID have permitted a savings of more than $2 million, by replacing the importation of computerized systems, such as the electrocardiograph, designed for ergonomic tests, and the protein sequencer, which is used to determine the primary structure of proteins.

Zedillo: Factors of Financial Crisis Corrected

PA2303044195 Mexico City NOTIMEX in Spanish 0318 GMT 23 Mar 95

[FBIS Translated Text] Mexico City, 22 Mar (NOTIMEX)—President Ernesto Zedillo told business representatives from Canada and the United States today that the factors of unbalance that have caused the financial crisis in Mexico have been corrected in practice.

The vital signs of the Mexican economy that suffered an imbalance and caused the crisis are practically corrected, President Zedillo said at the official Los Pinos Residence.

He said that Mexico's trade balance had a $450 million surplus in February and that public finances have experienced a growth of more than 100 percent in real terms since the first bimester.

Before representatives from the Canadian and U.S. Chambers of Commerce, to whom he explained the objectives of his economic program, President Zedillo rejected allegations the Mexican economy lacked direction during the first months of the year.

He admitted that the country registered a deficit in its current account in 1994 equivalent to 8 percent of its gross domestic product (GNP), that there was a currency devaluation by the end of December, and that there was a considerably high deficit (in the economy) for six years.

He described as highly effective the economic program to face the current account problem and said the Mexican economy today has a flexibility it did not have a decade ago, when the country confronted similar difficulties.

The new structure gives the country great capability to find solutions, enabling us to make quick adjustments, Zedillo said.

He said to the extent these factors are reviewed by the public and experts in financial market, the uncertainty and lack of confidence will be reduced considerably.

Zedillo reaffirmed that his government will maintain a policy of free market and healthy public finances, particularly due to the lack of foreign savings, and will continue with the process of profound structural changes in the Mexican economy.

He said the driving force of the country's economic growth during the next few years must be direct foreign investments, particularly in the export sector.

After saying that conditions for foreign investment in the country are very attractive and profitable, he called on Canadian and U.S. businessmen to begin seeking new business opportunities and to make investment decisions.

The presidents of the Chambers of Commerce of the United States and Canada in Mexico, Ollie J. Akel and Douglas G. Clark, respectively, agreed the Mexican economy is starting to indicate the first signs of recovery.

After holding a private meeting with President Zedillo, the business leaders said that despite the recovery of the Mexican economy, it is still going through a difficult period.

Akel said his presence in Mexico is "because we believe in its long-term future and because there are positive signs although the results of these difficult decisions will be seen later on."

Clark said confidence in this country has not been lost, adding investment opportunities will emerge soon, "because the adjustment process will be short."

"I do not believe the economy is in a comatose state. It will take time to find investors and to increase exports, but positive changes are already taking place," he said.

He said that during his meeting, the Mexican president remarked that the Economic Recovery Program, which the Mexican Government implemented on 9 March, is already yielding positive results.

He said the president told them U.S. and Canadian investments are important in speeding up economic recovery.

The economic program announced by the Mexican Government includes tax increases and the reduction of public expenditures. It also expects a 42 percent inflation and a negative GNP growth of 2 percent for 1995.

Also attending the meeting were Miguel Yoldi, president of the Bombardier Concarril Company, Raul Munoz of Dupont of Mexico, and John M. Burton, vice president of the American Chamber of Commerce.

Column Urges Zedillo To Face Economic Problems

PA2203163995 Mexico City EL FINANCIERO in Spanish 20 Mar 95 p 6

[From the "For Your Information" column by Gustavo Lomelin]

[FBIS Translated Text] The power struggle in Mexico is reflected in the instability and lack of confidence in the financial markets. Until President Ernesto Zedillo assumes full control and breaks with the Salinas interest group, he will continue to lose maneuvering room, with all the risks this entails.

A number of political and economic factors are contributing to the apprehension of various economic agents and sustaining the demand for dollars on the currency exchange market (7.50) and a strong increase in interest rates (110 percent) despite the economic plan announced on 9 March.

1. In the political arena, President Zedillo's rupture with Carlos Salinas was mishandled. Instead of making a clean break and using it as a strong foundation to strengthen a new presidential institution based on the law, it has hesitated and fallen into violent upheavals that have only created new divisions among the elite, intensifying the uncertainty surrounding the country's future and increasing its vulnerability before the United States.

There is evidence that Salinas, his allies, and his still great economic and political power have exerted pressure on the markets to try to control Zedillo. In retaliation, the intervention of the Asemex-Banpais, the disclosure regarding the withdrawal of subsidies to Maseca, and the rumor spread by the attorney general of the republic's office regarding the intervention of Interacciones (denied by the National Banking Commission) is not accidental. All these groups are linked to Carlos Hank Gonzalez, Roberto Gonzalez, and Raul Salinas Lozano.

The pressure is apparently aimed at shifting the final result of the Luis Donaldo Colosio murder investigation, the announcement of which is expected this week. Jose Cordoba, Carlos Hank, Manlio Fabio Beltrones, and Carlos Salinas are expected to receive special attention.

2. In the economic field, the authorities insist that their plan is the only viable plan and that "there is no other option." But this strategy has only created a growing lack of control in the financial market. The real sector [el sector real] and the banking system are on the verge of bankruptcy, and the people are insolvent. Let us see:

—The rescue package has begun to fall apart because it is insufficient for the size of this year's foreign commitments. The $3 billion from private foreign banks is about to fall through, and the $10 billion from the Bank for International Settlements is the same $10 billion pending from the IMF.

—The underlying problem seems to be the pressure exerted by the Tesobonos [Treasury Bonds] on the currency exchange. Although more than $11.7 billion have been paid out this year, almost $18 billion remain to be paid in the next few months, and the holders will continue to profit due to the devaluation of the peso.

—The banking system is heading toward bankruptcy. This year it faces foreign payments of $18 billion, it has an overdue portfolio equivalent to another $18 billion, and is obligated to increase its reserves 60 percent ($11 billion). At this level of internal credits, its liabilities will double next year.

—The $83 billion to restructure the loans to micro, small, and midsize industries came too late and without the proper guidelines. In 1983, Ernesto Zedillo was in charge of Ficorca [expansion unknown], today no one is in charge. It is not know under what criteria those resources will be distributed among banks, which in turn will have to make decisions regarding clients, due dates, and interest rates, since the only guideline is "viability". Without a doubt, the first companies to be redocumented will be those of their stockholders and friends. Besides, the program is too extensive because no limit was placed upon it and it is not indexed to the economy.

In conclusion, there is no way out through further adjustments. After 12 years, "more of the same" only deeper no longer works if the causes of the mistakes are not corrected: having converted the Tesobonos from internal to external debt; changing the creditors of the pension and investment funds to the U.S. Government. These mistakes were accepted out of fear of facing the external problems, and they opted for internal cost and sacrifice.

If one considers the aforementioned, in effect, there is no other economic choice after the strategy that was negotiated with the United States. Notwithstanding, one month ago the official goal was a parity of four Mexican pesos per U.S. dollar. Two weeks ago, Miguel Macera said it would be five to one. On 9 March, the quotation was fixed at six to one. But today the dollar is being bought for seven pesos, and no one knows how much it will be tomorrow. The economic program is being surpassed, and on this basis it has no chance of success. On this road, whether we like it or not, sooner or later, banks, companies, and individuals will lapse into a moratorium.

Today, Mexico represents the first world crack [preceding word in English] in the neoliberal model—after the 1982 debt crisis—where high volatility is the sign of the times, however, the Zedillo administration is fighting a new war with the same weapons used 12 years ago, which reduces the possibility of success and only postpones a fatal conclusion.

Zedillo's strength was economics, but he now seems unable to implement an economic plan to restore confidence. More recession and austerity are the answer to avoid facing the external problem head on.

Faced with an economy that is threatening to go out of control, amidst growing social tensions, immersed among groups struggling for power, and with a population that is growing more and more desperate, Zedillo is racing the clock without a planned strategy and under intense pressure, which is taking him to even more dangerous situations. For Mexico, today the great factotum is the United States. Internally, the Salinist interests groups are agitating Zedillian waters. The pincers are closing. One must escape and make corrections before it is too late.

Law Authorizing U.S. Credit To Go Into Effect 23 Mar

PA2303031095 Mexico City NOTIMEX in Spanish 0137 GMT 23 Mar 95

[FBIS Translated Text] Mexico City, 22 Mar (NOTIMEX)—The law that has authorized the Mexican Government to contract lines of credit for $20 billion from the United States will go into effect tomorrow, 23 March, after it was officially promulgated today.

The congressional decree, approved on 7 March, was published today in the DIARIO OFICIAL DE LA FEDERACION, the legal publication of the Mexican Government.

The decree "authorizes the federal government to contract credit, within the terms of Article 2 of the Law on the Income of the Federation for 1995, or issue bonds abroad, making use of the guarantees referred to in the agreements and annexes" signed with the U.S. Government on 21 February.

The decree, which Congress signed during a special session on 7 March, was signed by President Ernesto Zedillo and Government Secretary Esteban Moctezuma and establishes it will become effective the day after its publication.

On 7 March, the Mexican Chamber of Deputies and Senate approved receiving the $20 billion loan negotiated with the U.S. Government.

The lines of U.S. credit are part of the financial package granted by several countries and international financial institutions to Mexico for $51 billion to face the crisis unleashed following the devaluation of its local currency.

Finance Secretariat: 1995 VAT Revenues Will Drop

PA2203232295 Mexico City UNOMASUNO (ECONOMIA Supplement) in Spanish 21 Mar 95 p 3

[Report by Luis Martin Gonzalez Guadarrama]

[FBIS Translated Text] The Secretariat of Finance and Public Credit (SHCP) believes that revenues from the 1995 value-added tax [VAT] will drop significantly due to inflation, unemployment, and the consequent drop in consumption. For this reason, income will be less than 60 billion new pesos despite the 10-15 percent VAT increase.

The SCHP had initially estimated that VAT income would total 39.9 billion new pesos and that total income from taxes would be 171.85 billion new pesos.

Officials who were interviewed have said it could not be known how much income will drop due to reduced consumption, but they have said this will probably not be known until the third quarter of 1995 and practically 1996, when inflation ~~begins to drop~~, before consumption picks up.

They have also said once the goals of the new economic program are accomplished, as has already been the case, there is a possibility the VAT percentage will again be reduced.

A few weeks ago, Guillermo Ortiz Martinez, finance and public credit secretary, announced a 10-15 percent increase in the VAT but said there will be no VAT charged to final consumers of processed foods and medicines.

Ortiz said that all production stages will be taxed at the general VAT rate and that the VAT paid during the previous terms will be returned at the time the final consumer makes the purchase.

This measure will significantly simplify the administration of this tax for the federal government as well as for manufacturers of intermediate goods, who will be able to fully pass on the VAT to the next term and will not have to request refunds from the government.

In addition, the SHCP has stated general rules will be issued that will allow the transfer of shares within the same group to be income tax free in order to support the restructure of enterprises in a same group.

Secretary: Agricultural Prices Will Have To Increase

PA2303042295 Mexico City LA JORNADA in Spanish 21 Mar 95 p 38

[Report by Rene Alberto Lopez]

[FBIS Translated Text] Villahermosa, Tabasco, 20 March—Francisco Labastida Ochoa, secretary of agriculture, livestock, and rural development (SAGDR) has said that the price of agricultural products will have to increase; otherwise, the creation of new jobs will automatically stop. He has also said we would face the risk of having to import food, adding the price of products such as beef and milk will increase "commensurate with inflation."

Labastida Ochoa has admitted that the economic measures that have been adopted "are severe and painful" but that the government is acting with responsibility.

He has said the VAT [value-added tax] will affect consumers more than the agricultural sector. He has also admitted the high interest rates are hindering economic activities and affecting the productive sector.

"The measures make it necessary to adjust the entire economy, which will have severe and high social costs," he has said.

Labastida Ochoa, accompanied by Governor Roberto Madrazo Pintado, headed a meeting with agricultural producers at the government palace where he discussed with them the problems affecting that sector.

"Resources in the agricultural sector are scarce, particularly land. Possibilities are much better in the livestock sector, where, according to estimates, more than 40 million hectares can be used for that purpose. Nevertheless, decisions that have favored the consumer sector in general have curtailed development in the agricultural sector," he has said. For example, he has said Mexico imports 40 percent of the powdered milk sold in the world. He also criticized the fact that although agricultural exports increased more than 60 percent during the past year, "those resources are not returning to the sector."

Pemex Reports 1994 Achievements, Investments

PA2203192195 Mexico City NOTIMEX in Spanish 2353 GMT 21 Mar 95

[FBIS Translated Text] Mexico City, 21 Mar (NOTIMEX)—The state-owned Mexican Petroleum, Pemex, today announced that during 1994 it spent 3.073 billion new pesos (some $500 million) on environmental protection measures and on improving the quality of its fuels.

Pemex said that the resources spent last year on ecological measures represented an increase of 27 percent over the previous year. In a communique, the company said that the money spent allowed it to complete and place in operation a large number of plants devoted to increasing the environmental quality of its products.

Pemex said that part of that investment was devoted to relocating storage facilities and modernizing production plants. According to the communique, the money spent in 1994 represents 30.7 percent of the total investment made. Following the upgrading of the plants that make up its ecological base, it was decided to supplement this with four isomerization units to improve the quality of the gasoline produced.

Pemex said that now that the second catalytic plant has been placed in operation, the work aimed at expanding the processing capacity of the Tula refinery was completed in 1994. The Tula Refinery is located in the central Hidalgo state. This action has also made possible an increase in the production of Magna Sin (unleaded) gasoline to 24,000 barrels per day.

Pemex stressed that within the work slated for its ecological base, one project stands out: the beginning of the construction of the unit for the water treatment of residuals at the Tula Refinery, which will produce fuel oil with low sulphur content.

The communique highlighted the fact that two of the projects aimed at obtaining oxygenated compounds have been completed: the methyl-terbutyl-ether (MTBE) plant and the ter-amyl-ether (TAME) plant at the Salina Cruz refinery in southern Oaxaca state.

Pemex also announced that the construction of the plant for the isomerization of pentane and hexane at La Cangreja has been completed and that the Minatitlan and Cadereyta plants are scheduled to begin operation in the first quarter of 1995.

During this year the Pemex refining branch will review its investment program in order to give priority to investments that will eliminate "bottlenecks" throughout the entire system: production, distribution, and marketing.

Bankers: 65 Billion Pesos of Program Insufficient

PA2303005695 Mexico City EL FINANCIERO in Spanish 21 Mar 95 p 8

[Report by Georgina Howard]

[FBIS Translated Text] Members of the Association of Mexican Bankers [ABM] Executive Committee have said the 65 billion new pesos of the Restructuring Program Through Investment Units [UDI's] are insufficient in solving the banking system's overdue portfolio problems. The bankers have even said this money "is insufficient" to cover even 20 percent of the banks' overdue obligations.

Interviewed at the end of a meeting with officials of the Bank of Mexico [Banxico] and the National Banking Commission to outline how UDI's will utilized, the ABM members said the 65 billion new pesos will probably be increased, because the government has asked the banks to refinance mortgage and agricultural loans starting in April.

Banxico officials have said the possibility of injecting 30 billion new pesos to the existing 83 billion new pesos, including resources contributed by Banxico, for refinancing mortgage loans, is being considered to cope with this situation. In addition, $5 billion would be added to convert the agricultural sector's liabilities in dollars into UDI's and Commodity Credit Corporation dollars. This should take care of the Mexican countryside.

In addition, analysts of the firm Oppenheimer Securities have said the programs to capitalize Mexican banks and the new loan refinancing plan cannot by themselves guarantee that the deterioration of the banks' loan portfolios "will stop." The Mexican banks, they have said, will still have to work hard "to come out lightly from the economic crisis." In addition, the bankers have said that although privatized banks realize overdue credit card portfolios, more than 4,135,000 new pesos, "are a latent problem that has not yet been solved," there are no plans to refinance these liabilities through UDI's, "at least for the time being."

The bankers added the talks with financial authorities and banks to finally outline the six trusts that will operate with UDI's will close tomorrow, because Banxico is determined to start this new scheme on 1 April.

The ABM members have said the Restructuring Program will force all banks to revise the plans they reported early in the year.

Once the rules of operation of this new scheme are established, they said, Banxico will have to distribute the resources among all banks. These, in turn, will have to implement the program according to the terms of the loans granted by each bank.

Certain bankers have said that if the substitution of liabilities for UDI's proves practical, this scheme could be used to substitute credit card liabilities, but "no decision has been made yet in this regard." Something is certain, they have said. The program will include mortgage loans, the overdue portfolio of which already exceeds 2.4 billion new pesos.

To finish with the problems faced by the banks regarding the agricultural sector's overdue portfolio of more than 4 billion new pesos, it has been estimated the UDI's scheme will be extended beginning in April.

The bankers have said that the 65 billion new pesos to be distributed among the banks to solve the overdue portfolio problem are insufficient and that, consequently, the authorities are considering the possibility of adding 30 billion new pesos for mortgage operations plus $5 billion that will serve to convert the agricultural sector's obligations in dollars into UDI's.

In addition, National Banking Commission members have said "it is safe to say that more than 50 percent of the existing banks will have to resort to the Temporary Capitalization Program [Procapte]," given the extent of the liquidity problems local lending institutions are experiencing.

The bankers have said several of the various capitalization options announced by Banxico, such as Procapte, the issuance of obligation papers, the injection of capital through shareholders, or increasing foreign capital, are being studied by the recently created banks.

At any rate, the commission experts have said, the Mexican banks will reach the capitalization levels determined by the Basel Committee, 8 percent as a minimum, prior to 31 March. Otherwise, the commission has stated, it will be impossible for the banks to have access to the resources of the Restructuring Program for Loans Through UDI's.

Drugstore Owners Lack Capability To Withstand VAT Increase

PA2203232395 Mexico City EL FINANCIERO in Spanish 21 Mar 95 p 12

[Report by Arturo Gomez Salgado]

[FBIS Translated Text] Drugstore owners throughout the country have warned that they lack the financial capability to withstand the VAT [value-added tax] increase and that more than 90 percent of these business establishments will disappear, a loss of 45,000 jobs, if the tax is implemented.

Antonio Pascual Feria, president of the Valle de Mexico Drugstores Owners Union, has said that this type of business activity has been experiencing a difficult situation ever since a 30 percent fall in sales took place in 1994 and that operating costs have already gone up by 20 percent this year.

He has said the initiative to apply the VAT to drugstores is causing the sector to confront capital flight, and even if the tax is only going to be applied up until next September, "we are not financially able to handle it."

Pascual Feria has announced the technical bankruptcy of at least 20,000 of the more than 21,000 drugstores in Mexico. He has also said only the foreign conglomerates will be able to survive, because they are supplied directly from their own laboratories or their subsidiaries abroad.

The union president has said the basic medicine supply offer announced this past February by the Valle de Mexico drugstores owners has been canceled, and he has acknowledged the price of medicines had increased by 20 percent, even up to 100 percent during the past month.

Therefore, he has urged the authorities to devise a fiscal incentive program complemented with flexible credit lines that will allow drugstores to improve services offered and at the same time to maintain an ample and constant supply of basic medicines.

He has said that the pharmaceutical sector adds its concern to that already expressed by the commercial sector and that it is time for the federal government to outline a suitable economic strategy in order to overcome the economic emergency without additional burdens and to retake the path of growth in the shortest time possible.

According to the union leader, there is still time to overturn the application of the VAT to the pharmaceutical sector, and he has insisted there will be massive closures if carried through due to rising costs, the loss of more than 45,000 direct jobs, and the nearly 400,000 indirect jobs that support the productive chain.

Properties To Be Auctioned Off Through Exchange

PA2203234595 Mexico City EL FINANCIERO in Spanish 21 Mar 95 p 15

[Report by Claudia Olguin]

[FBIS Translated Text] The establishment of Mexico's first real estate exchange in June is a godsend because banks may be able to auction off the anticipated large numbers of properties repossessed on the local market resulting from the economic crisis.

Through the new sales system, four private banks, led by Banamex, will be able to sell, in packages or singly, more than 250 properties valued in excess of $100 million.

Run by the international real estate firm LaSalle Partners, the new real estate sales-purchase system will operate in Mexico and on international markets. "This is a sealed bid auction system," Pedro Azcue, the company's director general, has told EL FINANCIERO Satellite News Service. Azcue has said that through this concept, which is new to the Mexican real estate market, transactional costs and property sales times will be reduced through a scale economy method used in the sale.

In the auctions, which LaSalle Partners describe as events, it will be possible to auction off commercial, industrial, residential, touristic, and agricultural properties. In fact, 4,000 properties are registered for sale so far, although only 300 will be included in the first stage because of the requirements for the operation.

Because it is the brainchild of private banks, the purchase mechanism will be free of all official regulations, and its only commitment will be to the participants' private decisions. The idea, the director has said, is to sell the properties at current market prices, which makes them more attractive to those accustomed to making transactions in dollars.

In addition to the auctions, the project will be supported by telemarketing, where buyers can talk and send information prior to the events. In this way, the telemarketing program will make it possible to promote sales prior to the actual auction.

The instrumentation of the private exchange will make the sale of large numbers of properties more efficient and end speculation in the industry.

The initial dates for the first of many auctions will be June and July this year, when the Banamex-Acival Finance Group and three other banks will join the operation. "It took us months, but the real estate portfolio problem now makes it look like a great idea," Azcue said.

The exchange is similar to a project developed by the United States to sell properties of banks and other companies bankrupt by the crisis. With the so-called sealed bid auctions, the U.S. Government, backed by LaSalle Partners, has concluded the project Resolution Trust Company of America, thus helping a large number of bankrupt banks and enterprises sell properties worth $2 billion.

Attorney General Forwards Suit Against Carlos Salinas

PA2203192095 Mexico City LA JORNADA in Spanish 21 Mar 95 p 4

[Article by Rosa Icela Rodriguez]

[FBIS Translated Text] Attorney General Antonio Lozano Gracia has ordered that the suit filed by Civic Alliance and more than 640,000 people against Carlos Salinas de Gortari be forwarded to the General Directorate of Preliminary Investigation "for due process."

This information is detailed in letter No. 351/95 dated 10 March, in which Guillermo Leon Ramirez Perez—director general of Crime Prevention and Community Services—responds to Civic Alliance coordinator Martha Perez Bejarano.

Following a national consultation on 26 February, 644,406 persons demanded an "investigation and, if warranted, a trial of Carlos Salinas de Gortari and his collaborators as the parties presumably responsible for the devaluation of the currency and the current economic crisis."

At a press conference, Enrique Calderon Alzati, Martha Perez, and Rogelio Gomez Hermosillo announced the attorney general's response and asked the people to contribute any information they have to the preliminary investigation that may be conducted of the former president of the republic for alleged mismanagement of the public administration.

The Civic Alliance members also announced that at 1900 on Wednesday, an analysis of the popular consultation will be made at the San Angel Cultural Forum. Academicians and researchers from the Colegio de Mexico, the Metropolitan Autonomous University, and the UNAM [National Autonomous University of Mexico], as well as labor unions and business organizations, will participate in this meeting.

According to the members of the Civic Alliance, the aim of the meeting is to begin drafting an economic proposal for Mexico based on the contributions of the various individuals and organizations which choose to participate. They added that once the document is drafted, they will travel to all states to hold 32 meetings, from which they will extract a final proposal that will be submitted to a national consultation.

The Civic Alliance members said the results of the national consultation that was held on 26 February were sent to the Congress before its members voted on the financial package and approved the law on peace in Chiapas.

A total of 666,525 people participated in the national consultation. The results of the consultation were also forwarded to the National Mediation Commission and to the Government Secretariat in an attempt to change the pattern in a country in which "it is not customary to listen to civilian society."

Guatemala

URNG Political Team Member Denies Disputes in Ranks

PA2303031195 Guatemala City LA REPUBLICA in Spanish 21 Mar 95 p 5

[Report by Ramon Hernandez S.]

[FBIS Translated Text] Miguel Angel Sandoval, a member of the URNG [Guatemalan National Revolutionary Unity] political team, said in Mexico City on 20 March "the president of the Peace Commission (Copaz), Hector Rosada Granados, has become the Army's spokesman. He also denied disputes were taking place within the ranks of the guerrillas fighting in the country's mountains.

The rebel leader, who was interviewed via telephone from Mexico City, told LA REPUBLICA it "is absolutely false that conflicts are taking place within the URNG military commands and could lead to the opening of other battle fronts."

"It is not true that I am heading a URNG faction as Defense Minister Mario Rene Enriquez and Copaz President Hector Rosada claim," Miguel Angel Sandoval said.

The guerrilla leader said "the URNG views these government remarks as part of a campaign to make the public believe the current difficulties experienced in the negotiations are the result of conflicts within the ranks of the guerrilla command, and this remark is absolutely false."

"I am under the orders of the general command and am working in my duties as a member of the political-diplomatic commission; therefore, I could not be leading another front," Miguel Angel Sandoval said.

He said the problem is that there is a double standard within the government. "On one hand Mr. Ramiro de Leon Carpio, during his tour of Europe, has talked about the enormous possibilities for peace only to obtain financing, while Hector Rosada in Guatemala has corrected him by saying he is discouraged with the progress in the peace talks."

"The URNG views the latter point with great concern, because it indicates that Hector Rosada, instead of being a spokesman for Copaz, is the spokesman of the most recalcitrant sectors of the Army that oppose a political solution to the armed conflict," Miguel Angel Sandoval said.

He said he is concerned about the attitude assumed by Hector Rosada, who "is inconsistent, because he says one thing one day and says something different the next, as if he were, in fact, trying to systematically correct Mr. Ramiro De Leon Carpio."

He said the URNG command is convinced "we are working for peace, but we expect from our counterpart, the Army and the government, a consistent attitude in the search for peace. We do not want double standard positions, lies, and slander, because it does not contribute to the peace process at all."

Sandoval added "the difficulties existing in the peace process are due primarily to the government's refusal to be more flexible in its positions in topics such as the recognition of the political rights of the Indian peoples at a local, regional, and national level as well as the refusal to make deep constitutional reforms recognizing the identity of the Indian peoples with all their political rights as well as their right to own their land.

De Leon Announces Corps Established To Combat Kidnappers

PA2203121995 Guatemala City SIGLO VEINTIUNO in Spanish 20 Mar 95 p 3

[Report by Juan Carlos Ruiz Calderon]

[FBIS Translated Text] President Ramiro De Leon Carpio announced yesterday that a new elite corps, comprised by members of the various security corps in the country, has been established and that its mission is to combat kidnappers.

During a news conference at the presidential house last night, the president said the government has decided to organize this special corps due to the increase in abduction cases during the past days. He also said the new corps had started operations a few days ago.

The president added that authorities are giving the new corps their full support in logistics and resources and that he expects the people in general, especially those who have been affected by this crime, to cooperate fully with the new security group.

Although he did not give further details, De Leon Carpio said the elite corps is comprised by personnel from the various security corps in the country who have been given the necessary training to confront this type of crime.

He said newspaper ads will be published in forthcoming days requesting those who have been affected by abductions and who for some reason have not reported it to do so now and to present all the necessary information to apprehend the culprits and to send them to the corresponding criminal courts.

Armed Forces To Participate

PA2203201395 Guatemala City LA REPUBLICA in Spanish 21 Mar 95 pp 2, 125

[Article by Miriam Larra and Carlos Ajanel S.]

[FBIS Translated Text] Defense Minister General Mario Rene Enriquez Morales yesterday confirmed that the Army is going to participate in the "Antikidnapping Commando Group" or "Elite Antikidnapping Squad" announced by President Ramiro De Leon Carpio on Sunday [19 March] evening. The announcement came at a time when kidnappings are on the increase in various regions of the country.

According to Enriquez, the Armed Forces' participation in the "Antikidnapping Commando Group" will be a gradual process, beginning with "an analysis of the problem."

Enriquez said: "I would like the soldiers to take to the streets today, but this is a slow process." He added that if President De Leon Carpio were to ask him if he believed the Armed Forces should become involved in the security programs, he would respond that "it is necessary."

Government, UN Representatives Study Indian Rights

PA2203182895 Mexico City NOTIMEX in Spanish 2033 GMT 20 Mar 95

[FBIS Translated Text] Mexico City, 20 Mar (NOTIMEX)—It was reported here that a Guatemalan Government delegation has renewed its talks on Indian rights with UN representatives, headed by Frenchman Jean Arnault.

Miguel Sandoval, member of the political-diplomatic commission of the Guatemalan National Revolutionary Unity (URNG), gave an interview to NOTIMEX and denied that guerrilla representatives are participating in these talks.

He explained that UN delegates are studying the Indian rights issue in talks with representatives of President Ramiro de Leon Carpio's government, using a process known as pendular negotiation.

The pendular negotiation process consists in getting each of the parties in a conflict to meet separately with the mediator, who tries to find commonalities regarding a specific point so that it can be used as a basis for a joint agreement.

Sandoval said these are consultation meetings and do not have an established deadline. The United Nations could call the URNG representatives during this week in order to study the issue separately with them.

He rejected in "categorical manner" that there is a new faction in the URNG and that he heads it. This information was published by the Guatemalan SIGLO VEINTIUNO newspaper this Monday [20 March].

SIGLO VEINTIUNO reported that, according to reports from the military intelligence of the Guatemalan Army, there is a new organization of 300 armed members in the URNG and that it is headed by Miguel Sandoval.

According to the report, the new rebel group stems from the Poor People's Guerrilla Army (EGP), one of the rebel groups that comprises the URNG, which operates in the Quiche Department, approximately 164 km to the north of Guatemala City.

The URNG, established in 1982, also comprises the Rebel Armed Forces (FAR), the Revolutionary Organization of the People in Arms (ORPA) and the Guatemalan Labor Party (PGT), all of which have representatives in the URNG General Command.

Sandoval added: "The URNG had a national meeting with military and political staff at one of the guerrilla fronts last August. They confirmed their decision to find a political solution to the conflict and to back the decisions made by the general command."

The rebel leader asserted: "This is a manipulative rumor spread by the Guatemalan Government to confuse public opinion, especially to find excuses to reach concrete agreements in their negotiations with the United Nations." [sentence as received]

The member of the URNG political-diplomatic commission noted that the report tries to give the false impression that there are divisions in the Guatemalan guerrilla movement so as to obstruct the peace talks.

"The URNG confirms that it is totally united," Sandoval asserted and added that the report was prepared by Hector Rosada, president of the government Peace Commission (Copaz,) and Guatemalan Defense Minister Mario Enriquez.

Honduras

Former DNI Chief: Disappearances Necessary for Order

PA2203185295 San Pedro Sula TIEMPO in Spanish 21 Mar 95 p 3

[FBIS Translated Text] Tegucigalpa—Colonel Juan Blas Salazar Meza, former director of the dismantled Department of National Investigations (DNI), said yesterday that people should thank "the military and civilian" authorities who made the "criminals" who wanted to take power by force disappear over the past 10 years.

Likewise, he said yesterday that human rights organizations are responsible for such disappearances because they "encouraged" the "criminals" to use weapons to take power.

Salazar Meza, one of the officers mentioned by human rights organizations in the disappearance of 184 people in the 1980's, said he is willing to appear before the courts and go to the prosecutor's office to give his testimony but that he was not involved in the disappearances.

He contradicted himself, however, when he stated that the disappearances took place in a very confusing period of the Cold War, when "leftists and rightists were very active."

Salazar Meza said Honduras would have become like Nicaragua and El Salvador if the authorities had not acted as they did.

He said the same thing happened in Cuba when Fidel Castro took power, and "the human rights people don't say anything about it. The truth is that human rights organizations only move to benefit the criminals."

He asserted that the DNI had done an excellent job but that the population has not recognized the merits of the institution. He said the DNI played a very important role in recovering people who had been kidnapped by "those criminals, who acted with impunity because they wore masks while committing their crimes. They did not act openly."

"Thank God there was an authority to look after freedom, peace, and democracy in this country in the 1980's. Our people should be thankful because in this country, the military are very responsible, as are all Honduran people who love peace, tranquility, and democracy," Salazar Meza told HRN [Tegucigalpa Voz de Honduras Network in Spanish] radio station.

Salazar Mena said human rights organizations should not be "whining" now and added that the DNI had performed its primary duty of maintaining order in the country. "Everyone has slung mud at us and has blamed us for terrible things, but my personal opinion is that if the DNI—where I worked for almost three years—were established again, I would gladly accept the post again to fight crime," he emphasized.

He was asked if he did not feel remorseful when he heard mothers cry for their sons who had disappeared. He replied: "Why should I feel remorse if all of us here are the living dead. Why don't you ask human rights defenders if they feel remorse because they have encouraged a lot of people to take up weapons and try to take power."

"Those people are to be blamed for most of the things that happened in our country," Salazar Meza stated, adding that he is prepared to give his testimony if he is called.

Panama

Legislators: DEA Lists Officials Involved in Drug Trade

PA2203131695 Panama City EL PANAMA AMERICA in Spanish 21 Mar 95 p 1A

[FBIS Translated Text] The Drug Enforcement Administration (DEA) allegedly gave the Panamanian Government a list of 15 individuals —including several officials—who would be subject to legal actions in the United States, opposition legislators Lenin Sucre and Joaquin Fernando Franco III disclosed yesterday.

In statements to Channel 2 (TVN), Sucre and Franco stated that such a "rumor" is being heard in different political circles, which is why they urged National Legislative Assembly President Balbina Herrera to conduct the necessary inquiries.

According to Franco, "unofficial" reports indicate that Foreign Ministry officials were told about the list on a recent trip to the United States. Moreover, Sucre was critical of Washington's stance of issuing certification for cooperating with the war on drugs while "possessing a list of 15 government officials it says are involved in drug trafficking." "I want to tell the DEA that they are off the mark because the list is much larger," Sucre said.

Democratic Revolutionary Party Legislator Miguel Bush said, in turn, referring to Franco, that "we should not pay too much attention to him because he is seeking notoriety." Bush described the matter as a "delicate situation" and added is up to the Foreign Ministry and the Attorney General's Office to provide the appropriate explanations.

The disclosure by the opposition legislators coincides with the visit to Washington by Judicial Technical Police [PTJ] Director Gabriel Castro. A recent communique by the Presidency explained that the purpose of Castro's trip was to coordinate joint action against drug traffickers.

Not long ago, the Drug Affairs and Foreign Relations Committees of the National Legislative Assembly agreed to summon Attorney General Jose Antonio Sossa, U.S. Charge d'Affaires Oliver Garza, and PTJ Director Castro at some future date to explain DEA activities in Panama. Supreme Court loopholes have allowed DEA agents to participate in covert operations in Panama as long as local authorities permit it.

Reaffirms DEA Investigation

PA2203231395 Panama City ACAN in Spanish 2105 GMT 22 Mar 95

[FBIS Translated Text] Panama City, 22 Mar (ACAN-EFE)—Legislator Joaquin Fernando Franco, a member of the opposition Arnuflista Party, reaffirmed today the DEA is investigating alleged links between Panamanian Government officials and drug-trafficking activities.

Franco, along with Legislator Lenin Sucre, of the opposition Liberal Party, said this week the DEA has allegedly delivered to the Panamanian Government a list of 15 people, including several government officials, who are under investigation in the United States.

The government of Panamanian President Ernesto Perez Balladares and the U.S. Embassy have both denied the existence of that list and have regarded the legislators' remarks as "false rumors."

Acting Foreign Minister Ricardo Alberto Arias has confirmed that "there is no such list" and that neither the Foreign Ministry nor the Panamanian Embassy in Washington has received it.

Meanwhile, Franco said in a statement for EFE today "the DEA is not going to present a formal list, because that would put the people involved on alert." He added the way the DEA operates is through "a sealed prosecution," ["un encausamiento sellado"], which makes it possible to arrest individuals at the airport upon entering the United States as tourists or on business trips.

Franco said at no time has he mentioned any names, adding "I will not do so, because it is not right to play with anyone's honor." At the same time, he demanded from the government, however, the immediate removal of the officials involved.

Franco said "we will see to it that individuals appointed in government positions do not occupy those positions and that others who are in the government are removed" as a result of the alleged investigation.

He reaffirmed that "certain individuals are under investigation," and that there are more than 15 names on the list. He said he knows of several people who are under investigation in the United States, but he refused to give their names.

Regarding this matter, Legislator Oyden Ortega, of the Democratic Revolutionary Party and president of the congressional Foreign Relations Committee, has told the press that DEA activities in the country must be coordinated with Panamanian authorities "with absolute respect for national sovereignty."

Argentina

Di Tella Hears Peru's 'Firm Complaint' on Arms Sale

PY2203141495 Buenos Aires LA NACION in Spanish 18 Mar 95 p 4

[Article by Ovidio Bellando]

[FBIS Translated Text] On the evening of 17 March, Foreign Minister Guido Di Tella met with Peruvian Ambassador to Argentina Alberto Ulloa, who conveyed to the former the Peruvian Government's protest with regard to the sale of Argentine weapons to Ecuador.

Di Tella's assertive response to the Peruvian Government's firm complaint—which diplomats consulted by LA NACION avoided characterizing as a protest—was that the government intends to apply the most severe punishments to those found responsible for this crime, and that President Menem had already given orders to that effect.

The meeting was held at the San Martin Palace in a move to supposedly avoid the press.

During an interview with the press some hours prior to the meeting, Di Tella had asserted that the documents used for the sale of weapons to Venezuela, which were then diverted to Ecuador, "were counterfeit," adding that the companies Hayton Trade, Fine Air, and Metales Restor, which participated as intermediaries in the business deal and transported the weapons, "are the ones that bear primary responsibility for this crime."

Di Tella told the news agency TELAM that Argentina does not wish to act illegally, and therefore "will make every endeavor to maintain the seriousness and trustworthiness of its actions."

Venezuelan Ambassador to Argentina Martiniano Bracho told LA NACION that his country took the necessary measures to arrest Alexis Pirela Avila and "an Argentine whose surname I cannot quite recall," who allegedly participated in some stage of the controversial purchase. He added that this proves "Venezuela's desire to cooperate in clearing up this issue."

Both statements lead one to surmise that the congressional Defense Committee, the Foreign Ministry, and the Economy Ministry, which—according to prevailing regulations—authorized the sale, were fooled and misled by an operation masterminded in Buenos Aires and Caracas but without the participation of the Venezuelan Government. Initially, the operation was carried out using the name of a colonel whose post did not justify the magnitude of the purchase made. In addition, the specifications sent from Venezuela did not take into account the fact that the names of the sectors to which the arms were to be consigned disagreed with the nomenclature used in Venezuela, but agreed with the nomenclature used in Argentina.

To prevent these events from happening again, Di Tella will propose the amendment of Decree No. 603/92, which regulates sales of Argentine-made arms.

As soon as the foreign minister's remarks were reported through an interview that the Foreign Ministry granted the official news agency, there was speculation about the possibility that President Carlos Menem had already taken measures that would be announced soon. In a dramatic tone of voice, Di Tella therefore said: "All the heads that have to roll will roll."

'Surprised' at U.S. Envoy's Remarks in Arms Case

PY2203143995 Buenos Aires TELAM in Spanish 1209 GMT 22 Mar 95

[FBIS Translated Text] Buenos Aires, 22 Mar (TELAM)-—Foreign Minister Guido Di Tella today expressed his surprise over the remarks made by U.S. Ambassador to Argentina James Cheek, who noted that his government is concerned over the diversion of a shipment of Argentine arms to Ecuador.

In remarks to Radio America, the foreign minister said "I am surprised" at the U.S. diplomat's remarks.

Cheek yesterday pointed out that the U.S. Government is "annoyed and concerned" over the episode involving the diversion of Argentine arms to Ecuador during the recent border conflict between Ecuador and Peru.

"I am slightly surprised" over the U.S. ambassador's remarks, Di Tella pointed out, emphasizing that "while (Cheek) was making these remarks, I was meeting with Alexander Watson, assistant secretary for inter-American affairs, and he did not express to me any annoyance" on the part of the Clinton administration with regard to this issue.

The Argentine foreign minister noted that he had asked Watson "to supply information on the companies that shipped" the arms originally sold to Venezuela and subsequently diverted to Ecuador.

Di Tella pointed out: "I asked him for cooperation, and was told the information would be supplied to me." The foreign minister again held the arms companies Hayton Trade, Fine Air, and Metales Restor, which acted as intermediaries, responsible for the diversion of a shipment of Argentine arms to Ecuador.

Di Tella said in conclusion that "it is difficult to identify these companies because they don't use normal methods, and yet they are clearly responsible" for the irregularities in this operation.

Late Salary Payments, 'State of Unrest' in Provinces Noted

PY2203161695 Buenos Aires PAGINA/12 in Spanish 21 Mar 95 p 4

[FBIS Translated Excerpt] During the third week of March, 10 provinces, including those of Justicialist

[Party—PJ] presidential candidate Carlos Menem and UCR [Radical Civic Union] presidential candidate Horacio Massaccesi, have still not fully paid the February salaries to state workers. In the opinion of pro-government CGT [General Confederation of Labor] Secretary General Antonio Cassia, "there is a state of unrest and excitement" in Rio Negro Province, La Rioja Province, Tucuman Province, Cordoba Province, Jujuy Province, Catamarca Province, San Juan Province, Corrientes Province, Chaco Province, and Salta Province.

Cassia met President Carlos Menem yesterday. After the meeting, Cassia noted: "Outbreaks might be prompted by the fact that government officials collect on time and workers have to wait for two or three months to collect their wages." Nevertheless, he corrected himself for fear that his remarks might be interpreted as anti-government remarks. Cassia moderately said: "We are aware of the fact that the unemployment rate is significant and that there are provinces that are not paying their salaries, but I believe there are no possibilities of an outbreak." To clear up any doubts, he ruled out the possibility of the CGT promoting any type of protest.

Cassia also supported the reduction of salaries of high-ranking government officials. In his opinion, the funds thus saved will be used "to pay the workers." [passage omitted]

State Workers Demonstrate in Jujuy, Cause Disturbances

PY2203204495 Buenos Aires TELAM in Spanish 1459 GMT 22 Mar 95

[FBIS Translated Text] San Salvador de Jujuy, 22 Mar (TELAM)—Within the framework of a 24-hour strike, a demonstration called by the Front of State Workers Unions [Frente de Gremios Estatales], began at noon today. The Front of State Workers Unions was considering the possibility of marching on Government House, demanding salary improvements.

The workers are also requesting the abrogation of an emergency decree, issued by the executive branch, that reduces retiree payments and increases the retirement contributions paid by retirees and workers.

A column of 100 men from the "Pablo Soria" hospital was the first to install itself outside Government House at 1000 today. The people in the column were waving placards and chanting slogans against the provincial executive branch, demanding salary improvements.

Another column of municipal workers and former Zapla Blast Furnaces workers disrupted traffic at the intersection of El Exodo Avenue and Dorrego Street, outside the bus terminal, and immediately began to burn some tires.

Traffic on other streets was also disrupted, and tires were also burned at other strategic points in San Salvador de Jujuy, causing traffic chaos both downtown and in suburban areas. Drivers protested angrily.

However, at noon today the main columns from the largest trade unions remained scattered in various parts of San Salvador de Jujuy.

Outside the bus terminal, trade union leader Carlos "Perro" Santillan said: "For the time being, this will be today's protest method. Later we will decide with the Front of State Workers Unions if we are going to Government House."

Significant teacher and student absenteeism from educational institutions was reported this morning, as they had been teargassed during past demonstrations in Jujuy.

Public access to Government House was restricted from the early morning hours. The main gates remained closed, and entry was allowed only through side doors, at which police protection was reinforced.

A similar situation prevailed at the Congress building, while the courthouse, the Court Employees Association, the municipality, health offices, and universities suspended all their activities this morning.

The police have called nearly all their forces to guard public buildings, schools, large supermarkets, and large stores in San Salvador de Jujuy, while some policemen are patrolling the streets of the city.

[Buenos Aires TELAM in Spanish at 1721 GMT on 22 March in a report datelined San Salvador de Jujuy adds: "At least four people detained, various Government House windows shattered, and clashes between demonstrators and police forces are the provisional results of today's disturbances in San Salvador de Jujuy, within the framework of a protest staged by provincial state workers. The police have reinforced guards at the main public buildings, while infantry troops have posted themselves at strategic downtown corners."]

'Subtle Changes' in Administration Hinted

PY2203175595 Buenos Aires LA NACION in Spanish 21 Mar 95 p 5

[Article by Joaquin Morales Sola]

[FBIS Translated Text] The fact that the president is in mourning might bring about subtle changes in the administration of power, in the election campaign, and in the very attitude of the opposition vis-a-vis its leading rival. Well-known advisers to President Menem concede that for a certain period of time—the duration of which is impossible to predict—recollections of his dead son will be uppermost in the head of state's thoughts.

In times gone by, Menem's style of government made it possible for him to rule the country without being necessarily present all the time. In fact, Eduardo Bauza, the secretary general of the Presidency, and Economy Minister Domingo Cavallo have for several years been the real power behind the throne and wielded power against a backdrop of successive feuds and reconciliations.

Menem always kept for himself three central tasks relative to the functioning of his cabinet, namely, mediating in the fierce infighting between his aides, overseeing the development of the government's political guidelines, and the area of direct communication with society.

Nevertheless, such a state of affairs was only possible during times of economic and political normalcy. At this juncture, with crucial presidential elections not even eight weeks away, and the country grappling with the adverse effects brought about in the wake of the latest financial crisis, neither the government nor the ruling party can do without their political leader.

A high-ranking government official said: "It is impossible to imagine either Bauza canvassing in the president's car or Cavallo trying to explain to the man on the street that the unpopular decisions are the appropriate ones."

During the first hours following the tragedy involving their eldest son that caused such bereavement in the president's family, Bauza assumed the reins of the government in a gesture that is his own—nothing can leave the nation without a political head, he seems to say each time that tragedy strikes his president. He acted in a similar manner when Menem had to be rushed to the hospital because of arterial obstruction. This time there were no clashes with Cavallo. They had patched up their differences 10 days ago, when the government's political sector came to the conclusion that the strengthening of the economy minister's position was a sine qua non for dispelling the looming threat of a deep crisis that might bring the entire economy to a grinding halt.

In fact, Bauza, Interior Minister Carlos Corach, Buenos Aires Province Governor Eduardo Duhalde, and Justicialist Party vice presidential candidate Carlos Ruckauf have—since Monday, 6 March—presented a common front to support Cavallo and his projects. They all worked in Congress, for example, trying to win over each congressman so as to ensure the enactment of the laws the economy minister had demanded. Up to that moment, Bauza had been toying with the idea of what political future was in store for Cavallo.

Staying in power (the most important objective for any political group) at present requires an active Menem. Although it is humanly impossible to once again have that cheerful and extroverted president who captivated a considerable portion of the electorate during four consecutive national elections, economic decisions prompted by the crisis and the election campaign need his flair for politics and his ability to draw masses.

It is quite unusual that a ruling party should run for the presidency after having ordered an increase in taxes and a reduction of wages, and with unprecedentedly high levels of unemployment. What is still more extraordinary is that such a party should be way ahead of its rivals in all public opinion polls as regards voters' intentions.

Despite the fact that collective memory of the bygone times of inflation seems so strong that it may lead to a novel electoral experience in the country's political history, key government officials believe that this will not last forever. Menem would be the only ruling party leader in a position to determine the extent to which voters would support him or decide to let themselves be captivated by another candidate.

The other presidential candidates have accepted a de facto political truce. A strategy seeking a head-on attack against a father who has just lost his son would place them in a bind, as the figure of the suffering president has deeply touched citizens. This virtual truce will last as long as Menem does not break it. In any case, the lack of time will probably preclude candidates from engaging in a "dirty campaign," as tough election campaigns are called in electoral jargon.

Since Bauza, Corach, or Ruckauf will supposedly not be in charge of the election campaign in the absence of the president, the attentive eyes of Menem's retinue have fallen upon the city of La Plata [seat of the Buenos Aires Province government]—only [Buenos Aires Province Governor Eduardo] Duhalde may replace Menem in the management of the campaign. This possibility, however, would go against the president's fundamental political project, which consists of checking the growth of Duhalde's popularity rather than helping him.

Duhalde's pathetic presidential ambition hints at the fact that he intends to become Menem's successor, whereas the president has time and again repeated that a politician never retires, and if he does, it is never due to his own initiative.

Pro-Menem government officials are overcome by useless despair. The sudden appearance of Menem's friends and in-laws at the Olivos presidential residence only confirmed something that the head of state had become aware of some time ago, namely, that the government and his affections are two different things. This clear-cut division has been most noticeable during these days of mourning. Menem leaned more upon his friends and relatives—even though many of them are not engaged in politics—than on government officials, who kept a stiff upper lip.

The stir that the return of Zulema Yoma [Menem's wife] to the Olivos presidential residence caused among the president's aides in view of a possible reconciliation of the couple is useless and insensitive despair. What political obligation can prevent a bereaved person from gathering with family, as is the case with Menem's wife? In a case such as this, more than in any other, emotions will always take precedence over political reasoning.

Massaccesi Obtains 65 Percent in Privatization Referendum

PY2203181895 Buenos Aires BUENOS AIRES HERALD in English 20 Mar 95 p 1

[FBIS Transcribed Text] (DYN-NA) Approximately 65 percent of Rio Negro province voters yesterday rejected the privatization of provincial utilities and the transfer of pension funds to the federal government, as proposed in Economy Minister Domingo Cavallo's streamlining plan, official sources said yesterday.

A 70 percent turnout was reported provincewide in the compulsory plebiscite called by Governor (and Radical presidential candidate) Horacio Massaccesi. The governor had urged voters to reject Cavallo's plans.

Massaccesi had said that if less than 60 percent showed up to vote he would be desappointed.

Radical Party Chairman Raul Alfonsin congratulated Massaccesi over the phone for his "enourmous triumph." "I am with you and your people," the former president told Massaccesi.

First results showed Massaccesi's anti-privatization stance leading with 65 percent of votes. He said that Yes and blank votes gathered 25 percent.

The ATE state workers company backed the No vote, along with the Radical Party. The opposition Justicialist Party and the National Solidarity Front (Frepaso) promoted the blank vote. The opposition has called the referendum "unnecessary."

Voting closed at 9 p.m. with no major incidents being reported.

Massaccesi announced the result—which he regards as a political triumph—at the local legislature. He said that his proposal was backed by 130,000 Rionegrinos. "This shows there is another way of doing things," he told the local legislature.

The next provincial government must observe the plebiscite's mandate and leave provincial utilities in the hands of the state. Voters had the option of cutting their ballot and choosing which companies they wanted to keep and those they wanted to go private.

Massaccesi said that the turnout was set to equal voting in 1991 congressional elections here.

Says Economic Situation 'Explosive'

PY2203184195 Madrid EFE in Spanish 1602 GMT 21 Mar 95

[FBIS Translated Text] Buenos Aires, 21 Mar (EFE)—Horacio Massaccesi, 46, presidential candidate of the Radical Civic Union (UCR), the second political force in Argentina, said today that his country "is on the verge of an explosive economic situation."

"We must watch the situation closely and be prepared, because just as in exciting soccer games, there will be danger at the goals until 14 May," the day of the election, Massaccesi said today, according to Buenos Aires newspapers.

The UCR candidate and Rio Negro Province governor confirmed his rejection of the privatizations of nuclear power plants and the Yacyreta and Salto Grande hydroelectric dams that Argentina shares with Paraguay and Uruguay, respectively.

Massaccesi's electoral bid was strengthened by the large margin of support [in a plebiscite] for his policies rejecting the neoliberal economic plan implemented by Argentine President Carlos Menem, who is running for reelection.

A plebiscite was held in Rio Negro Province on 19 March. In it, 65 percent of the population rejected the new privatizations promoted by Menem.

Menem's plans were supported by 10 percent of Rio Negro's population, while 23 percent abstained from voting.

"I am beginning a strong campaign," Massaccesi said, even though surveys put him in third place.

The UCR candidate said he has the support of the UCR leadership "to strengthen the party's opposition line" in view of the upcoming presidential election.

Massaccesi proposed establishing "strict controls" on companies providing services that were privatized by the Menem administration, such as telephones, energy, and drinking water.

"We will not revise the case of all privatized companies. They have already been sold. We will only review some obvious cases, such as Argentine Airlines," Massaccesi said.

The privatization of Argentine Airlines has been the cause of multiple controversies since the majority of shares were sold to the Spanish airline Iberia in 1990.

According to the latest surveys, Carlos Menem, of the Justicialist Party (Peronist), will receive 36 to 40 percent of the votes.

Those surveys put Octavio Bordon in second place. Bordon is the presidential candidate of the center-left coalition Front for a Country in Solidarity (Frepaso), and has 26 percent support. Massaccesi comes in third place with 15 percent support.

The drop in popularity of the UCR, the oldest political party in the country, headed by former President Raul Alfonsin (1983-89), is attributed to old internal disputes between the party's main leaders.

"I will not waste time on internal disputes; the confrontation is with Menem," Massaccesi said.

The Argentine president will be reelected if he obtains at least 40 percent of the votes and is 10 points ahead of the second best, or if he obtains 45 percent of the votes.

The Argentine Constitution, which was amended last year, establishes that if no candidate obtains those percentages, there will be a runoff within 30 days of the 14 May election.

Retired General Views 'Destruction' of Armed Forces

PY2303021595 Buenos Aires LA NACION in Spanish 17 Mar 95 p 7

[Article by Division General Luciano Benjamin Menendez, retired: "The Destruction of the Armed Forces"]

[FBIS Translated Text] We live in a globalized world. Many of the interests furthered by blocs of nations and trans-national corporations have become internationalized.

Some believe that as national interests no longer exist, conflicts between nations are out of place and that if one occurs an international organization will stop it.

Notwithstanding this, look what is happening in the world:

- Domestic conflicts continue. Ecuador, Peru, Serbia, Chechnia, Israel, and its neighbors constitute obvious and painful proof of this.

- Leading nations and the international organizations over which they preside only intervene when their interests are at stake and do so only to defend their interests. Kuwait is an example of this, while the Malvinas is just the opposite.

Even without these events, a definite response to those optimists who entrust national security to globalization—which encourages those who expect no more conflicts, or to be defended by others—is that nothing changes as fast the international situation. For example, the crumbling of the Soviet Union, the unification of Germany, Japan's economic development, and the growth of the PRC.

Each country, each corporation looks after its own interests. They will be allies as long as their interests coincide with ours, but the moment they diverge we may become rivals.

Although we should align with other countries and blocs to better achieve our objectives, we must be aware that our national forces constitute a final and unconditional support of said objectives. I do not just refer to the Armed Forces, but rather to economic and financial forces. The economic crisis currently confronting us shows how fickle foreign capital can be.

The question can be summed up thus: "God helps those who help themselves." This has a deep ethical meaning and a very practical side: Nobody will do for us what we fail to do for ourselves.

The old regulations conferred on the Armed Forces, namely "to safeguard the Nation's highest interests," and the role Act No.23554/84 assigns to national defense, namely "to guarantee the Argentine Republic's self-determination," continue to be wholly effective.

Nevertheless, our Armed Forces find themselves in an ominous decline, lurching towards their destruction.

Our current state of total defenselessness—which was brought about by the obsoleteness and lack of materiel and ammunition, the tight budget for training, and the drastic reduction in military personnel—is not the most serious factor (even though it is very serious).

The most grievous factor is that the Armed Forces are being harmed, and this harm may become irreversible because fundamental aspects of military life are being destroyed.

The Armed Forces's ongoing proficiency hinges on three basic pillars:

1. The human quality of officers. "Choose only gentlemen as officers," recommended George Washington when recruiting the nascent U.S. Army. Well, the ridiculous level of salaries, the announced changes in the retirement system, and the impossibility of discharging our specific functions, all serves to deter aspirants and reduces the number of cadets entering military schools to the bare minimum. This precludes any selection process and will affect the quality of officers for the next 30 years. If this is not corrected it will become an ingrained deficiency.

2. Technological self-sufficiency and a national logistics system that will enable the provisioning of armies through industrial mobilization. This ability must be preserved in at least the four elements with which wars are currently won—tanks, rockets, planes, and submarines—and in the one that acts as a deterrent, namely the atomic bomb. We used to have the technological infrastructure for the latter and we used to manufacture the former, but we have now abandoned everything. The National Commission for Atomic Energy has been practically dismantled; the Medium Argentine Tank Factory and the submarine manufacturing plant were closed; the Condor project was scrapped; and we are transforming the Military Aircraft Factory, founded in 1927, into a Lockheed maintenance shop.

3. Reserve soldiers, when mobilized, increase the number of personnel within armies to optimum levels to achieve victory. By abolishing mandatory conscription we have just done away with the source of our reserves. The intake of 25,000 volunteers, who will remain in the Armed Forces for an average of four years, means over the next 20 years the number of useful fighting men (between 20 to 40 years of age), will be 125,000 men. By comparison, the annual intake of a comparable number of conscripts would give us 500,000 trained reserves over the same period of time.

The destruction of these three fundamental factors has been so timely that it resembles the work of engineers when they want to blow a bridge by placing explosives under the main supports so as to make it collapse. This is why I think it is a premeditated and carefully executed plan.

But who would want such a thing? Leading nations, to prevent Argentina from having interests that jar with theirs? Multinational companies, so they can conduct the businesses that suit them best? Someone who covets the immense riches of our country and wants to appropriate them? Some project by a world power?

I do not dare answer these questions, but I have no doubt that these questions, and many others, are absolutely valid.

Likewise, I am absolutely certain all Argentines should be concerned about the ongoing proficiency of the Armed Forces because they constitute an unconditional safeguard for our interests and the only ones that can prevent the horror of war in our homeland.

Peres Letter Marks Anniversary of Attack on Embassy

PY2203173595 Buenos Aires LA NACION in Spanish 18 Mar 95 p 10

[FBIS Translated Excerpt] With the presence of approximately 200 people, mostly survivors of the tragedy and relatives of the victims, and protected by an impressive police operation, a tribute was paid yesterday on the third anniversary of the attack against the Israeli Embassy in Buenos Aires.

The ceremony was held at the intersection of Arroyo and Suipacha streets, on the property that was occupied by the Israeli Embassy. Wreaths were laid and the current Israeli ambassador to Argentina delivered a speech. During the ceremony, a candle was lit for each victim.

At 1445, the time when the explosion that killed 29 people and injured more than 200 occurred, the bells of the church Mater Admirabilis, which was damaged by the attack, tolled for a couple of minutes. [passage omitted]

Israeli Ambassador to Argentina Yitzhaq Aviran read a letter sent by Israeli Foreign Minister Shim'on Peres. The letter says, in part: "The attack was perpetrated against the Jewish people's spirit rather than against an embassy. We remember, for we will never forget this tragedy. We hope that those responsible will be identified, and we want the Argentine Government to shed light on the incident."

In addition to the Israeli ambassador, Buenos Aires Mayor Jorge Dominguez, AMIA [Argentine-Israeli Mutual Association] President Alberto Krupnikoff, and other representatives of the Jewish community in Argentina participated in the ceremony.

Ambassador Aviran pointed out: "We want this attack to be resolved. It is a matter of [not allowing] impunity, rather than seeking revenge."

Supreme Court Orders Quick Resolution of Nazi Extradition

PY2303003595 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1850 GMT 21 Mar 95

[FBIS Translated Text] Buenos Aires, 21 Mar (NA)—The Supreme Court has handed down a decision indicating that the extradition to Italy of former Nazi Officer Erich Priebke must be decided upon "without any kind of delay" by Leonidas Moldes, the federal judge of San Carlos de Bariloche.

The nation's top court thus accepted an appeal of complaint submitted by the federal prosecutor of General Roca, and ordered the case to be returned to the federal court of San Carlos de Bariloche, which is under the charge of Judge Moldes.

The court maintains that procedures must be taken "to resolve the grounds of the matter without any more postponements," warning that any delay in resolving the extradition "could determine the responsibility of the Argentine state in complying with its duties of legally cooperating and assisting in the international sphere in matters of repressing crime."

It also affirms that it must be "ensured that the good faith that rules the actions of the national state within the international sphere, in faithfully complying with the obligations that are contained in treaties and other sources of international law, is not affected by the actions or omissions of domestic organizations."

Priebke is accused of have ordered the execution of 335 Italians in what has been called "the massacre of the Ardeatine Tombs [in Rome]" at the end of World War II.

Since May 1994 Priebke has been under arrest at his home in Bariloche. His defending lawyer, Pedro Bianchi, has requested the inclusion in the case of numerous documents that had to be translated, and hundreds of authenticated photocopies that had to be legalized and translated because they had been sent from Italy.

Judge Moldes accepted this request, which was later confirmed by the Federal Chamber of General Roca, thus motivated the presentation of an extraordinary appeal by the prosecutor of that chamber, Helvecio Martin Barba, and thus the appeal was remitted to the Supreme Court.

Now, upon accepting the appeal of complaint, the Supreme Court has ordered that the case be returned to Judge Moldes so that it "can be resolved without any more delays."

Bolivia

Administration Criticized for 'Servile Policy' Toward U.S.

PY2203160895 Cochabamba LOS TIEMPOS in Spanish 9 Mar 95 p A3

[FBIS Translated Text] La Paz, 8 Mar—The U.S. Government "ultimatum" to Bolivia to eradicate 1,750 hectares of surplus coca crops before 30 June is the result of a servile policy that has characterized the bilateral ties between the Sanchez de Lozada administration and the U.S. Government.

According to ADN [Nationalist Democratic Action] Deputy Tito Hoz de Vila, who is coordinator of the congressional opposition bloc, "this insult should make Bolivians shudder. One country cannot treat another like that, no matter how powerful or how poor the countries involved might be. Bilateral ties should always be conducted on the basis of dignity and mutual respect."

He added that the submissive MNR-MBL-MRTKL [Nationalist Revolutionary Movement-Movement for a Free Bolivia-Tupac Katari Revolutionary Liberation Movement] administration has accepted all U.S. impositions. It facilitated the escape of international criminal Jose Antonio Ibarra after having used him to oust two Supreme Court justices.

Hoz de Vila also said that the adminisitration helped DEA agent Edgar Fernandez Lazcano to escape. Fernandez Lazcano was the lieutenant of Isaac "Oso" Chavarria, who raised infamous charges against political leaders. Also in response to an imposition, the administration handed former FELCN [Special Antinarcotics Force] commander Faustino Rico Toro over to the U.S. courts and allowed the entrance of U.S. military into the national territory without congressional authorization.

Hoz de Vila said: "The administration has not obtained any positive results from this debasing attitude. The gringos resorted to humiliation just the same when they realized that the goals for eradication of surplus coca crops were not met and that coca eradication dropped five fold in comparison with what was achieved by the Jaime Paz Zamora administration."

He said that the Patriotic Accord administration implemented "coca diplomacy." He noted that through the efficient work carried out by Jorge Crespo, the Bolivian ambassador to Washington, it was able to rid coca leaves "of the evil image" they had at the international level, while at the same time achieving the eradication of a total of 22,000 hectares of surplus coca.

Hoz de Vila said: "The previous administration promoted coca leaves throughout the world. Nevertheless, during its entire tenure it obtained a total of $462 million in aid and eradicated an average of 5,500 hectares of coca farms per year."

He said: By obeying U.S. mandates, President Gonzalo Sanchez de Lozada has lowered the banners of "coca diplomacy" and hoisted the banners of "coca is cocaine."

Despite this, the voluntary eradication of surplus coca has decreased by an average of 1,000 hectares per year. The economic aid has decreased dangerously, and it may even be suspended.

He said: "All this has happened because the administration has been idle. It has never been able to negotiate with the peasants or achieve agreements in the short term. It is unfortunate that at the last minute it is now requesting help to achieve a consensus."

Hoz de Vila warned that if a proper and timely solution to this serious problem is not found, the issue of drug trafficking and surplus coca in the Chapare will become a time bomb with fatal consequences.

Army Rules Out Participation in Coca Crop Eradication

PY2203224795 La Paz HOY in Spanish 4 Mar 95 p 4

[FBIS Translated Text] Bolivian Army Commander in Chief General Adel Montero has ruled out the possibility of using the Armed Forces in the antidrug fight, much less the use of military troops for the forceful eradication of coca crops in the Chapare region.

In light of the imminent reduction of U.S. aid in the antidrug fight, it was speculated that the Armed Forces may be used for interdiction and to reduce the coca crops, considering the producers may try to resist.

This possibility has been denied, however, by the Army commander who said the president of the Republic has the exclusive right to decide on the increased participation of the military institutions, adding that for the time being no order has been issued.

Nevertheless, General Montero said efforts must be increased in the antidrug fight using the mechanisms created for that purpose.

The Armed Forces have assigned three task groups to support the antidrug fight: The Navy Blue Devils; the FAB [Bolivian Air Force] Red Devils; and the Army Red Devils [sentence as published].

These groups will only provide logistics support for Umopar [Mobile Police Unit for Rural Areas] troops, and are not allowed to directly participate in actions against traffickers or to participate in the eradication of coca crops.

Gen. Montero said the Army will not be affected by a hypothetical reduction of U.S. aid to the antidrug fight because its role is limited to providing logistic support, and consequently "we have not received a single dollar from this aid."

The Army commander explained the specific roles of Army personnel and equipment assigned to the antidrug fight. He said the Army only provides vehicles and personnel to drive them.

He said: "The Army does not handle the resources resulting from the aid, and consequently, a reduction would not affect us."

He added that a reduction in aid would have a social impact, not an impact on the Armed Forces operation.

Editorial Views Aspects of Antidrug Policy

PY2203192295 La Paz LA RAZON in Spanish 9 Mar 95 p A5

[Editorial: "Coca-Cocaine, an Insoluble Vicious Circle"]

[FBIS Translated Text] The announcement—using a euphemism—that Washington will suspend the "certification" granted to Bolivia regarding the coca-cocaine subject if, by 30 June, we have not fulfilled three preemptory conditions, which in effect represents an ultimatum, revives the permanent drug trafficking problem. It revives the problem in the sense that—as this daily has been maintaining—the issue will not be solved in the way it is currently being tackled without the possibility of generalized contradictions and serious risks of violence in our country, aside from seriously damaging our relations with the United States.

Undoubtedly, it is a growing worldwide problem, with objectively proven failures in the drug enforcement strategy of the United States in particular, of course, and—adding to the despair and complexity—the possibility of reaching the point of becoming unmanageable. In Bolivia, due to the country's structural, institutional, and economic weakness and its extreme dependency, in the worst sense of the word, such a situation is equivalent to a growing threat of instability at all levels.

In closely assessing what aspects of the issue affect us most directly, something we cannot ignore is the Chapare zone's socio-economic problem, despite the fact that there is, according to Law No. 1008—an unconstitutional law that increasingly needs amending, as is quite obvious—a commitment to eradicate up to 8,000 hectares of coca plantations per year. Applying the principle that the law is meant to be respected in the opinion, at least, of the current minister of government, this tool will be an inevitable reference for any eradication plan, however, will we have to resort to a compulsory and violent eradication—1,750 hectares in the Chapare—to fulfill the most important requirement of the U.S. ultimatum? The Chapare grows coca precisely for economic reasons, namely, fueled by the cocaine consumption in the United States. There is no doubt about that. And this will not even make the coca growers millionaires, because they continue to be poor due to the fact that the coca-cocaine circle, as in any case involving the first phases of a productive process, does not exactly enrich the Bolivians, although coca is a decisive ingredient in the pauper Bolivian economy.

The subject of the so-often unfulfilled agreement to sign a new extradition treaty with the United States represents one of the understandably irritating subjects for Washington. We have already been criticized for this, and will be again on other occasions, the more so taking into account the fact that since the previous government, there has been a draft agreement that could have served as a useful reference, at least. As far as we know, this draft bill, with the endorsement of Harvard experts, has received Washington's preliminary approval.

The prickly aspect of this subject, aside from the true problem, which we have reiterated on innumerable occasions, the current world policies and opinion still unwilling to accept some form of legalizing drugs, is the relationship with the United States. The ultimatum we are all aware of and the unconvincing arguments for not making it public clearly reveal that Washington is stubborn in its viewpoints. These viewpoints, moreover, are conditioned by U.S. domestic policy reasons, in addition to votes and elections, within the legislative and executive branches, with the purpose of making unreasonable, unfair, and incoherent stances prevail. For if the strictness at the time of judging is such that one should see the beam in one's own eye before the mote in another's eye, the U.S. drug enforcement policy has been nothing but one failure after another, with overwhelming and truly scandalous results, such as the reelection of the mayor of Washington, a confessed drug consumer, and failure to fulfill its own marijuana plantation eradication goals. The production of marijuana, according to data disclosed by the U.S. Government itself, greatly surpasses that of any other annual harvest, starting with wheat, in a country known as one of the greatest wheat producers in the world.

Now then, what is Gonzalo Sanchez de Lozada's government going to do about this problems? The official explanations given yesterday state that the document is unilateral, not the result of an agreement—something everyone has always known, even by its own content, which at some point states that it is not subject to a possible debate, thus precisely giving it the character of an ultimatum. If so, will the government be willing to reject it, with all the implicit and explicit consequences? Or is there still room for negotiations that may diminish its peremptory and taxing terms?

So far, regardless of the oversights, neglect, and delay with which Bolivia has handled the subject as a whole, in the internal and external aspects—undoubtedly the expected new extradition treaty has a lot to do with the situation in this case—a constant factor worthy of praise is that the government has avoided violence and tried to seek agreements. And this attitude must not be cast aside by any means, even if we must suffer the consequences of losing all economic aid and assistance of any other type from the United States, and face votes and financial blockades that may be imposed by international organizations. Should this happen, the country would have to assume the consequences as part of its own weakeness, and face them with the best possible sense of national solidarity, although we may once again prove that, regarding this problem, the possible solutions lead to the absurd: Accepting an ultimatum, with violence and bloodshed, or rejecting it, with the consequent financial sanctions.

There is no harm in recalling that Bolivia is not alone. This same misfortune and injustice is also shared by Colombia, Peru, and Paraguay, with their respective situations, countries that must have received ultimatums similar to the one we received. Drugs, drug trafficking, and drug enforcement are causing, as we already know, an increasing paranoia in the world. Washington seems to be the champion of these postures.

COB Breaks Dialogue With Government After Strike Dispersal

PY2303030895 Madrid EFE in Spanish 1945 GMT 22 Mar 95

[FBIS Translated Text] La Paz, 22 Mar (EFE)—The Bolivian Labor Federation (COB) today decided to withdraw from the negotiating table and called for an indefinite general strike, accusing the government of breaking the dialogue by arresting 27 teachers and dispersing the march of rural teachers who were trying to reach La Paz for a general meeting.

COB Executive Secretary Oscar Salas said: "We accuse the government of trying to put an end to hearing the list of workers' petitions, and that in the worst style of dictatorships, by repressing teachers." Salas added that "the indefinite general strike will begin tomorrow, 23 March."

The Bolivian Government today accused the teachers' leaders of sedition and conspiracy, justifying the dispersion of the marchers because "they had become violent," and announced that it will not negotiate the release of the detainees and that no marcher will reach the capital.

At the beginning of the month, government officials and the COB began negotiating a list of approximately 100 petitions from the various labor sectors of the country, among which stand out a salary increase, a coca policy, and the revision of the structural reform laws approved by the government.

Approximately 80,000 teachers have rejected the Education Reform Law, the first in over 40 years, which intends to provide marginalized sectors with education in their native language, improve educational content, and to provide teachers with periodic courses to update their knowledge, according to the government.

The teachers claim that the law represents an attack on public education, as it will go into private hands, that it affects the obligation to be affiliated to the teachers' union, that it adversely affects the level of their salaries and the categories granted only by seniority and also, not as now, by merit through additional studies.

The teachers' unions broke the dialogue with the government on 21 March because there was no possibility of reaching an agreement, due to the COB's insistence in abolishing the Education Reform Law which the government considers "inadmissible and irrational."

Later, civilian agents and police troops raided the teachers' federation offices in La Paz and Cochabamba, arresting 20 and seven teachers respectively. These teachers will be placed at the disposal of the regular courts, accused of sedition, conspiracy, and public instigation to commit crimes.

Government Minister Carlos Sanchez Berzain said that the arrested teachers were caught red-handed "with subversive elements" that they intended to use today during a demonstration in the historical San Francisco Park, and explained that the police also found homemade bombs, rocks, sticks, and other blunt objects that were presumably intended for the disruption of public order.

Sanchez Berzain also justified the dispersion of some 3,500 marchers with tear gas grenades, launched by joint police and Army forces, when they were getting close to La Paz along several routes.

According to reports from the teachers who managed to escape the military blockade at several points on the plateaus near La Paz, there were confrontations, and military troops fired shots, but they were unable to confirm whether people had been injured or had sustained bullet wounds.

Teacher Raul Nina said that "the rural teachers, some of them with nursing babies, were besieged by the military." He added that some of the troops from the Bolivar Regiment "were hunting down" the hundreds of teachers who had managed to escape the control and had fled toward La Paz.

"Many teachers have managed to escape, and some of us, like myself, have arrived in La Paz aboard vehicles," Braulio Terrazas told a local radio station, adding that the rural teachers will meet at San Francisco Park to attend the general meeting after escaping the military control.

Capitalization Costs of State Enterprises Listed

95SM0247A La Paz PRESENCIA in Spanish 24 Feb 95 p 3

[FBIS Translated Text] The state-owned company with the largest estimated capitalized value is the YPFB [Bolivian Government Oil Deposits Company], which is believed to be worth more than $700 million. The company with the smallest estimated capitalized value is the ENAF [National Smelting Company], which is believed to be worth $40 million.

This evaluation of capitalized costs, together with other, complementary data, was submitted to the government in a "Confidential Report" prepared by the Economic Policy Analysis Unit [UDAPE].

This study was undertaken in 1994 with an evaluation of the value of the assets, levels of production, and projected prices of each of the six state enterprises going through the process of capitalization.

This analysis (to which PRESENCIA had access) provided the following scale of valuations in millions of dollars for each of the state owned companies.

Approximate Capitalization Cost of State-Owned Companies

Company	Approximate Capitalization Cost
Bolivian Government Oil Deposits Company	$700-800
National Telecommunications Company	$300-350
National Railway Company	$170-180
National Electricity Company	$150-160
Lloyd Bolivian Airlines	$50
National Smelting Company	$30-40
Total	$1.35-1.58

This scale of values or costs of the state owned companies will be used by the government as a basis for determining the definitive prices of the companies.

According to a report by Luis Carlos Jemio, executive director of UDAPE, the methodology used to determine these costs was based on the estimated value of company assets, the level of production, and prices projected over the future or for a given period of time. The latter consideration was a function of company income and dividends generated during the process of capitalization.

According to Jemio, "the resulting value is 50 percent of the future value of the capitalized company." That is, on a given date and "given the condition of the companies," they will have a value which will be "doubled" by the end of the capitalization process.

Jemio supported his position by pointing out that the law on capitalization provides that 50 percent of the stock of the capitalized companies will be distributed to the people of Bolivia, through the Pension Fund. The remaining 50 percent of the stock will remain in the hands of the government as the "strategic partner" of the company.

Brazil

Finance Minister Hints at Exchange Policy 'Corrections'

PY2203211295 Sao Paulo FOLHA DE SAO PAULO in Portuguese 21 Mar 95 Section 2 p 3

[Article by Andre Fontenelle]

[FBIS Translated Text] In Germany yesterday, Finance Minister Pedro Malan admitted the possibility of modifications in the exchange rate policy.

During a breakfast with German bankers and entrepreneurs Malan said that "some extra corrections might be necessary" in the exchange policy.

Later, during a lecture to entrepreneurs at the Chamber of Industry and Commerce of Frankfurt, he said the current dollar fluctuation band, ranging from 0.88 reals [R] to R0.93, will remain in force for "a long time."

The minister told FOLHA that "by refraining from adopting a fixed exchange rate, 'currency board' [preceding two words in English] rates, a daily index, or free fluctuation, the government preserved a flexibility margin. This does not mean there will be changes next week or in 15 days. Time periods will be longer."

Through his press assistant, Malan denied that he advocated short-term modifications in the exchange rate fluctuation band.

After the lecture Michael Rogowski, president of Voith—the enterprise that supplied turbines for the Itaipu power plant—suggested a devaluation of the real by "at least 25 percent." Asked about the proposal, Malan said it was "absurd."

According to the German entrepreneurs who were with the minister, the overpriced real and the delay in the constitutional reform are slowing German investment in Brazil.

During the afternoon Malan held a 90-minute closed-door meeting with Hans Tietmeyer, president of Bundesbank, which is the German central bank.

After the meeting, Malan made a brief comment: "I am exhausted." He said he and Tietmeyer addressed "all matters of common interest," such as the Mexican crisis and speculative capital movements. Malan refused to comment on the Bundesbank president's opinion on those topics.

The minister revealed only "an idea" that his visit to Germany had given him. "They report balance of trade figures with a two-month delay," he jokingly said, adding that he could do the same in Brazil. In the German case, the delay is caused by problems originating with the unification of the two Germanies.

Malan declined to estimate when Brazil will again register a trade balance surplus, but reiterated that there will be a "reasonable" surplus in 1995.

In Paris today, Malan is due to meet with French entrepreneurs' representatives and with French Finance Minister Edmond Alphandery. Malan may also bring a lesson from France: the reform of the Credit Lyonnais state bank as a model for Banespa [Sao Paulo State Bank].

The price of mangoes was one of the topics of a lecture that the minister delivered to 250 German bankers and entrepreneurs at Frankfurt's Chamber of Commerce.

Concerned about Brazil's inflationary tradition, an entrepreneur whose enterprise has a branch in Sao Paulo mentioned a concrete example: "I bought mangoes from a Pao de Acucar supermarket at R7 or R8. In Germany, imported Brazilian mangoes are cheaper.

Economic Status of Public Companies Viewed

PY2203192895 Rio de Janeiro O GLOBO in Portuguese 19 Mar 95 p 50

[Article by Nelson Torreao]

[FBIS Translated Text] "Federal Government, Inc." is the largest national holding company, with direct or indirect control over 147 companies (the so-called public companies) and banks (like the Bank of Brazil and the Federal Savings Bank) beside having direct minor participation in 14 other companies. The shareholders of this holding company are the 150 million Brazilian citizens who, every four years, participate in a "general assembly" to elect the president of the "administrative council."

Last week, the president of the holding company, President Fernando Henrique Cardoso, gathered his executive officers and threatened to fire anyone who disrespects the program approved by the most recent shareholders assembly. The program orders the downsizing of the holding company by transferring control of public companies to private ones, thus increasing their profitability and better attending their clients.

The net assets of the holding company in 1993 (the last year of consolidated figures) stood at $110 billion, of which $32.8 billion is capital. The holding company has 569,000 employees and obtained net revenues worth $79.3 billion. Its performance, however, leaves much to be desired: The companies that belong to "Federal Government, Inc." suffered a loss of $6.1 billion, nearly 20 times that registered in the previous year.

Its gigantic size is not the only particularity of this holding company, there are other factors. First, its companies cannot go bankrupt: By law they cannot call in their creditors or go bankrupt. The largest of its companies, Petrobras [Brazilian Petroleum Corporation], is even by law exempt from paying taxes—at least on its monopoly over oil extraction and refining.

In 1993, the profit that the companies of the holding companies yielded to its main shareholder, the federal government, amounted to $179 million—a modest 0.5 percent return on the majority shareholder capital. But like everything else about the holding company, that modest profit may not be what it seems.

Deputy Roberto Campos (PPR-RJ) [Progressive Renewal Party-Rio de Janeiro], a long-standing opposer of this holding company, says there are no profitable companies. He asked the Public Companies Control Secretariat for information about the four largest "pieces" of the holding, that is, the Vale do Rio Doce Mining Company, Eletrobras [Brazilian Electric Power Company, Inc.], Petrobras, and Telebras [Brazilian Telecommunications, Inc.].

Three weeks ago Campos wrote in O GLOBO that, after paying off capital investments and honored debts, between 1990 and 1993 there were no "revenues to distribute." The federal government must pay $1.8 billion for the simple honor of owning the public companies.

An Overview of the Performance of Public Companies

(Source: Planning Ministry)

The State	
Total number of companies:	147
Total number of employees:	569,000 (1994 preliminary data)
Payroll:	$25 billion
Total assets:	$167 billion
Total net properties and possessions:	$95 billion
Sales in 1993:	$50.4 billion
Total debt:	$97 billion
Investments:	$8.5 billion
ECT [Postal and Telegraph Company]	
Sales:	1.502 billion reals [R]
Operational profit:	R36.6 million
Number of employees:	78,000
Government participation:	100 percent
Subsidiaries:	none

Investments:	R120 million earmarked for 1995
Bank of Brazil	
Sales:	R34.605 [as published]
Net Profit:	R128 [as published]
Net properties and possessions:	R6.799 [as published]
Open capital:	R571 [as published]
Capital with monetary correction:	R5.173 [as published]
Number of employees:	R188,380
Government participation:	51 percent of voting capital (nominal shares) and 29 percent of social capital (general total of shares)
Light [Power Services Inc.]	
Net properties and possessions:	$4.5 billion
Losses in 1993:	$248.9 million
Number of employees:	12,000
Investments:	$110 million per year
Petrobras Holding	
Sales in 1994:	$18.3 billion
Profit in 1994:	$1.7 billion
Number of employees:	49,000
Properties and possessions:	$18.9 billion
Investments:	$2.2 billion
Government participation:	51 percent
Rio de Janeiro Docas Company - CDRJ	
Sales in 1994:	R100 million
Losses in 1994:	R54 million
Number of employees:	3,070 of which 470 were incorporating from the former Portobras [Brazilian Ports Enterprise]
Group:	the CDRJ administers the ports of Rio de Janeiro, Niteroi, Angra dos Reis, Sepetiba, and Forno, in Arraial do Cabo.
Government participation:	99.18 percent
Debts:	greater than $70 million
Investments:	none
Net properties and possessions:	R446 million
Federal Railway Network - REF	
Sales in 1994:	R578.8 million
Losses in 1994:	R1.17 billion
Number of employees:	43,864
Group:	it controls the Federal Network of General Railway Warehouses. The RFFSA [Federal Railway System, Inc.] hauled 86.6 million tonnes of freight
Capital:	open
Government participation:	95.29 percent; The BNDES [National Bank for Economic and Social Development] owns 2.10 percent; municipalities own 0.20 percent; National Development Fund owns 1.59 percent.
Debts:	R1.7 billion
Net properties and possessions:	none
Vale do Rio Doce	
Sales in 1993:	$3.7 billion
Sales in 1994:	$4.1 billion
Profit in 1993:	$262 million

Profit in 1994:	$645 million
Number of employees:	17,766
Subsidiaries:	44 companies are either under its control or associated with a minority participation.
Capital:	open
Government participation:	51.13 percent
Debts:	$954 million that must be repaid by 2008
Investments:	$350 million per year. Other projects worth $4.1 billion are underway with national and foreign partners.
Net properties and possessions:	$9 billion. Assets total $12.4 billion
Telebras	
Net properties and possessions:	R16.4 billion (January-November 1994)
Net profit:	R924 million (January-November 1994)
Government participation:	24 percent of the total capital and 53.2 percent of common shares with voting right.
Subsidiaries:	28 companies plus the Telebras holding
Investments:	R2.7 billion in 1994. Investments for 1995 will be between R3 and R4.3 billion depending on the Planning Ministry.
Brazilian Nuclear Industries	
Sales:	$30 million
Losses in 1994:	$118 million
Number of employees:	1,200
Net properties and possessions:	$360 million
Government participation:	100 percent
Federal Savings Bank	
Net properties and possessions at January 1995:	R1.176 billion
Net profit in 1993:	$0.130 million
Net profit in 1994:	R213.4 million
Number of employees:	65,000
Liabilities at January 1995:	R53.778 billion
Planned Investments for 1995:	total: R82.574 [as published]; R5.132 [as published] to expand installations; R76.894 [as published] to modernize the administration; and R0.548 [as published] for maintenance
Government participation:	100 percent of closed capital
Petrobras Distributor	
Sales:	$7.5 billion
Profit in 1994:	$151.3 million
Profit in 1993:	$109.3 million
Number of employees:	3,630
Net properties and possessions:	$892.4 million
Investments:	$50 million
Government participation:	73.6 percent
Petroquisa [Petrobras Chemical Corporation]	
Net properties and possessions:	$3.9 billion
Profit in 1994:	$44 million
Losses in 1993:	$86.2 million
Number of employees:	243 [as published]
Investments:	$57,000
Government participation:	99 percent

Inflation Measuring Index To Be Eliminated by July

PY2203193595 Brasilia Radio Nacional da Amazonia Network in Portuguese 1000 GMT 22 Mar 95

[Report by Antonio Carlos Silva from Planalto Palace]

[FBIS Translated Text] Presidential spokesman Sergio Amaral has confirmed that the government will eliminate the IPC-r [Consumer Price Index-real] as of July. He said that President Fernando Henrique Cardoso did not receive any alternative proposal to the IPC-r.

Amaral said that President Cardoso's concern for the deindexation of the economy continues. The presidential spokesman also said that the president does not consider it necessary to change any Central Bank director. He also said that Cardoso is pleased with Central Bank President Persio Arida's statements to the Senate economic committee. For President Cardoso, the case is closed.

In a briefing to the media in Planalto Palace today, Amaral said that the government proposals to reform the taxation system are ready, although they have still not been sent to Congress in order not to add to the bulk of the bills that are pending for voting. The amendments will be sent to Congress as soon as possible, Amaral said. The government does not have formulas with which to replace the Social Emergency Fund, he said, adding that the president is concentrating on the constitutional reform, which will allow the government to meet its goals.

The Planalto Palace spokesman also said that the cellular telephone that President Fernando Henrique Cardoso received as a gift from the Motorola Company chairman will be included with the public properties.

Bilateral Nonproliferation Policies Viewed

PY2303010895 Sao Paulo GAZETA MERCANTIL in Portuguese 21 Mar 95 p 5

[Article by Maria Helena Tachinardi; quotation marks as published]

[FBIS Translated Text] Brasilia—The Foreign Ministry yesterday reiterated to John Holum, the U.S. Arms Control and Disarmament Agency director, that Brazil does not plan to ratify the Nuclear Nonproliferation Treaty (NPT). Foreign Ministry Secretary General Sebastiao do Rego Barros said: "Even though we may differ from the United States on the subject, Brazil does not violate the NPT. We have enough credentials in terms of nonproliferation of nuclear weapons to make it unnecessary to sign the treaty."

The meeting between Holum, Rego Barros, and a team of advisers at the Foreign Ministry marks a new stage in relations between the two countries. It was the first bilateral meeting on disarmament, nonproliferation, and control of weapons. Holum told this newspaper he has come to prepare for the meeting between Presidents Fernando Henrique Cardoso and Bill Clinton on 20 and 21 April because they will discuss these subjects.

The U.S. Government wants regular consultations with Brazil on weapons control and nonproliferation. Holum said: "We want to increase cooperation between the two countries in fields like the control of sensitive materials and technologies exports (for military and civilian use) and measures to increase trust in the field of security."

Rego Barros noted: "The general atmosphere between the two countries is different from some years ago. Today there is more affinity." Even so, there are disagreements regarding a U.S. proposal to create a regional registry for arms control within the Organization of American States (OAS). The Brazilian Government believes the UN arms registry is sufficient, and sees no reason for an additional control system. It would be sufficient if the UN informed the OAS, a diplomat said. Brazil regularly reports to the UN information on arms production, purchases and sales.

Holum said the United States wants to create regional registries, which might be more effective than the UN registries, which include only 83 countries. Concerning controls on the exportation of materials for civil and military use—on which the United States is deeply concerned—Brazil is already implementing "Missile Technology Control Regime, MTCR," guidelines even though it has not yet joined this club, which is made up of developed countries and some underdeveloped nations like Argentina. The U.S. Government still believes that to be more effective, control measures should be regulated by law. The Brazilian Government should submit a bill to Congress to this effect.

In spite of the government's rejection of the NPT, Holum is confident "Brazil will some day ratify the treaty" because its members "play a leading role." He added: "This is important for Brazil because of its leadership in Latin America."

Regarding the revision of the NPT in April, Holum said the permanent extension of the treaty—which is the formula preferred by the United States—or its extension for an additional period, will be discussed. The NPT revision conference will also include an outlook on U.S. and Russian disarmament. Brazilian diplomats believe little progress has been made in this area, because in 2003—upon completion of the "Start 2" program—each of those two countries will still have 7,000 nuclear warheads, compared to 7,500 in 1970, when the NPT went into force.

Even though it is not considered a chemical weapon manufacturer, Brazil will undergo routine inspections following the creation of an organization that will deal with the subject at The Hague, in the Netherlands. There are still 38 countries that have not ratified the treaty (only 27 countries have endorsed it), among them the United States, Russia, China, and the United Kingdom.

Of the five UN Security Council members with the right to veto, only France has ratified it.

Brazil has signed the Convention, but the Senate must approve it before the country can ratify it. Once the organization is created, Brazilian chemical enterprises will have to provide production and sales data to the government, which will provide general data of the country—not of individual enterprises.

Even so, petrochemical enterprises are concerned because they will undergo routine inspections.

One diplomatic source has said Brazil has never produced chemical weapons and does not intend to produce them. It has joined the Convention "because it is not discriminatory, it can be verified, and it is comprehensive." Four categories have been created for control of products: those destined for military use, immediate precursors, dual use (civil and military) products, and organic chemicals (petrochemicals). Brazil produces a few dual use items. Diplomats believe routine inspections will begin some years after enforcement of the Convention.

The government has since January enforced general guidelines for the exportation of goods related to missiles and services directly related to missiles. The official gazette of 28 December published the list of controlled products and services, including complete rocket systems, agents and additives used in propellants, instruments, air navigation equipment, and systems. The Navy, Army, Aeronautics, Industry and Commerce, and Science and Technology Ministries, the EMFA [Armed Forces General Staff], the Strategic Affairs Secretariat, and the Brazilian Space Agency are also enforcing the general guidelines.

Commentary Examines Need for Political Reform

PY2103212195 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 16 Mar 95 p A2

[Commentary by Roberto Macedo: "The Political Reform"]

[FBIS Translated Text] The problems that President Fernando Henrique Cardoso is having with Congress reflect, on the one hand, his own difficulties, in that his team still has coordination problems, as the government has not yet designated a political coordinator for specifically dealing with Congress. We have already emphasized the need for such a coordinator in this column.

Yet even if the executive branch does its own share by improving the coordination of its team and by concentrating on its work with Congress, it will continue to have immense difficulties because of the enormous distortions in the Brazilian political system. In principle, with the support that it has received from political parties, the government could have a sufficient majority for approving constitutional amendments in sessions with a three-fifths quorum in both congressional chambers. For example, the PSDB/PMDB/PFL/PP/PL/PRP/PTB [Brazilian Social Democracy Party/Brazilian Democratic Movement Party/Liberal Front Party/Popular Party/Liberal Party/Progressive Republican Party/Brazilian Labor Party] coalition has 342 of the 513 deputies, while the three-fifths quorum is 308. In the Senate, the PSDB/PFL/PMDB/PTB/PP coalition has 64 of the 81 Senators, while the three-fifths quorum is 49.

Parties, however, are not loyal to the executive branch, just as deputies and senators are not loyal to their respective parties. Consequently, negotiations with congressmen frequently call for personal contacts in order to accommodate the interests involved. This accounts for some of the major distortions in the political system. To a considerable extent, such distortions are linked with the lack of a district voting system because in the current proportional system lawmakers are not close to their voters and are not held accountable for what they do in Congress. With the proportional voting system, which should be enforced in each state, parties depend on candidates, instead of the opposite. In this way, when making up their list of candidates for Congress, the parties give opportunities to representatives of groups that could attract a large number of votes throughout the state: for example, major professional categories, the sectors with the strongest economic power, rural, entrepreneurial, and religious leaders, radio and television journalists, and so forth. Later these candidates are not very loyal to their parties, while they remain strongly committed to the interests they represent, or indeed to their own personal interests.

Brazil has recently wasted two opportunities to change this state of affairs. At the plebiscite on the parliamentary system of government, this system was not chosen. The parliamentary system of government would have given executive responsibilities to Congress, and would have had a healthy effect on congressional attitudes. Today Congress simply opposes executive branch initiatives without proposing any alternatives. At this time, for example, it is opposing provisional measures without adopting any concrete initiative to rapidly resolve the country's problems. Incidentally, the things to which Congress is opposed are well known, but the things Congress supports are not very well known, because it is not used to saying yes. Congress does say yes, but in order to oppose something.

In the presidential elections an opportunity to renew Congress with people willing to change the system of representation was wasted. The elections for Congress, which are closely related to and dependent on the presidential elections, had little media coverage, and the voters were not properly informed about candidates. As a result of this, we chose lawmakers whose positions on national issues for the most part remain unknown.

It is obvious that with the proportional election system, the media is unable to report on or analyze hundreds of candidates. With the district voting system, the matter would have been easier to handle, not only for the media but for voters as well. In each district there would have been at most 12 candidates, even with the current party system. With the district voting system the number of candidates would have been much smaller because many tickets would have disappeared. Even with a mixed system (district and proportional voting system), a good amount of the current distortions might be corrected.

Though the analysis of these political difficulties is well known, I confess I do not know how they will be resolved, as it is difficult to imagine that the senators and deputies who are elected through the current system will want to modify it. In fact, for many of them this will mean losing their mandates in future elections. Society should therefore take action to pressure them. As I said before, the last elections afforded a chance that was lost, among other reasons because presidential candidates, including the winner, could have tried harder to elect deputies and senators who agree with these reform ideas. Now, if the president cannot be on good terms with Congress, I believe he himself will end up sponsoring this mobilization for political reform. Yet this is a dangerous way, as it can produce a conflict between the two branches. Consequently, the ideal would be that society itself mobilize, as with the "immediate direct elections" campaign or with the impeachment of former President Fernando Collor.

Until now the executive branch has chosen to exclude the political reform from its list of priorities, which has been filled with economic reform projects. However, the facts are proving that such a strategy can be wrong. There is the smell of political impasse in the air, posing a risk for the Real Plan, which—more than any party or political figure—is the great supporter of the Fernando Henrique Cardoso administration.

Commentary Examines Politicians' Lobbying for Posts

PY2203031295 Rio de Janeiro JORNAL DO BRASIL in Portuguese 21 Mar 95 p 2

[Commentary by Marcelo Pontes from "Castelo's Column": "No One Wants to Give Up the Bone"]

[FBIS Translated Text] For what are believed to be changed times, the pressure exerted by some political sectors in order to obtain posts within the federal government is absurd. It is as if they were proposing advance payment for the support they might offer to the government in Congress.

This game has remained hidden, but must be unveiled. If there is one area in which there must be the clearest transparency in political negotiations, it is that concerning the designation of public servants, where the most obscure deals have traditionally been arranged.

Fernando Henrique Cardoso took over power with a promise to end that practice. He began by adopting basic measures. He gave full power to the finance minister to install in the federal banks professionals who are fully trusted by those who are conducting the economic stabilization plan. This is how Sergio Cutolo and Paulo Ximenes arrived at the Banco do Brasil and the Federal Savings Bank respectively. In recent administrations these banks had been the stronghold of policies favoring supporters, such as those that led Banespa [Sao Paulo State Bank] to collapse.

Another provision was to keep under economic team control the financial directors of the main state enterprises, such as Petrobras [Brazilian Petroleum Corporation], Eletrobras [Brazilian Electric Power Company, Inc.], Vale do Rio Doce, and Telebras [Brazilian Telecommunications, Inc.]. No politician protested because any protest would have been suspicious.

Communications Minister Sergio Motta went even further. Before installing former Minister Henrique Hargreaves as president of the postal enterprise, he transferred many powers of the president of this enterprise to the directors that he—Sergio Motta—would designate. While fighting public administration ghosts, Minister Motta discovered, for example, that politicians were suddenly interested not in financial directors' posts, but in the posts of administrative directors in public enterprises. Do you know why? Among other reasons, because the commissions for purchases and bids are channeled in the area under the jurisdiction of the administrative director.

There is a law that should be enforced in the government and on politicians: A list should be published of the sponsors of public enterprise officials, especially on the financial and administrative executive boards. Now that the public sector is expected to operate efficiently, attention has shifted to those who are directly responsible.

The problem is that there are two categories of those who are directly responsible: those who either sincerely or shamelessly admit their requests for jobs or designations, and those who engage in a game of enticement and deceit, attacking the government to show their strength and their false political independence.

An example of the first category is Deputy Waldemar da Costa Neves, the leader of the PL [Liberal Party] bloc. Irrespective of whether he might be liked or disliked, he clearly states what he wants, without hiding his intentions. The only problem for this deputy is that he will soon be alone: The PFL [Liberal Front Party] is absorbing his bloc.

The second category perfectly suits Alvaro Dias and Jader Barbalho. What they want, though they do not say this clearly, are government positions and nothing else. Alvaro Dias today called for a meeting of his party's executive board to discuss breaking with the government. He wanted to be designated president of Electrobras [Brazilian Electric Power Company, Inc.], but he has not yet succeeded.

Jader Barbalho represents a special chapter on pressure. He is the leader of the largest party within the Senate and within the government coalition, but he has been the most important opposition leader. Luiz Inacio Lula da Silva, who was preferred by 41 percent of the voters, has not managed to harass the government as strongly as Barbalho has.

This occurred especially after the magazine VEJA published a story about Barbalho. Civilian Household Chief Clovis Carvalho reportedly told PMDB [Brazilian Democratic Movement Party] President Luis Henrique that Barbalho should be given posts in order to monitor the investments that were requested through him. No one denied the story which hurt Barbalho. This is why, upon addressing President Fernando Henrique Cardoso during a meeting with a group of senators last week, Barbalho rudely referred to rumors circulating within Planalto Palace. The president immediately reacted, and there was displeasure.

Whatever the style in asking for posts, Costa Neves, Dias, and Barbalho have one thing in common: Like the striker who goes on strike for the sake of the strike, they give the impression of disputing posts for the sake of the posts. They do not want to give up the bone. It would be fine if each one of them had previously outlined his proposal for resolving the country's problems.

If not much is expected from Costa Neves, Barbalho should at least describe his proposal for improving the financial status of official banks, or for making a feasible social security system, while Alvaro Dias should outline the best method for reforming the state. As they are not doing this, they run the risk of being mistaken for the Candelaria demonstrators, who throw stones to show that they are alive.

Chile

Frei Views European Tour, UK Ship Hauling Plutonium

PY2203151095 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1100 GMT 22 Mar 95

[FBIS Translated Text] President Eduardo Frei said on 21 March that, in the future, Chile will resort to all diplomatic channels to prevent ships loaded with plutonium from sailing through the exclusive economic zone of our country. He made this comment during a news conference concerning his European tour.

[Begin recording] [Unidentified reporter] At present, Chile is essentially an exporting country, as 36 percent of national production is sold every year in the international market. Therefore, President Frei's recent tour of six European countries is part of the development strategy for promoting free trade with all regions of the world. To realize this strategy, our country demonstrates its economic, social, and political stability achieved during the process of democratic consolidation. Upon discussing the results of his European tour, Frei emphasized the emergence of a new world order based on cooperation and solidarity after the Copenhagen summit on social development. Frei also pointed out the support received through the signing of an association agreement with the European Union, Chilean businessmen's contacts with representatives of more than 1,000 companies, and the role played by the leaders of the CUT [United Labor Federation].

[Frei] In this regard, the European tour represents a landmark for integration with the presence and role of the workers in our international activities. The great inititives we are carrying out require the active participation of our workers, and I believe this tour has opened new perspectives on how the labor unions can contribute to the great issues of the country. Businessmen and workers should cooperate on national issues beyond their sectoral interests. They should look at the country as a whole and not only be the voice of legitimate demands. This view will help to move from the idea of confrontation to the idea of cooperation.

[Reporter] President Frei declined to comment on national issues. He only made an exception with the case of the British ship loaded with plutonium which sailed through Chilean jurisdictional waters.

[Frei] I believe the presence of the Chilean Navy in that zone, and the use of dialogue and persuasion, worked to keep the ship outside our exclusive economic zone. And this is what the country wanted. From now on, we will resort to all diplomatic channels, but let me reiterate that within the framework of international law, there is no possibility of preventing ships of that kind from sailing through our exclusive economic zone. [end recording]

FACh Commander Vega Interviewed

PY2203204095 Santiago EL MERCURIO in Spanish 12 Mar 95 pp D1, D11, D12

[Interview with Air Force Commander General Ramon Vega by Raquel Correa; passages in italics are editorial comment—place and date not given]

[FBIS Translated Excerpt] [Passage omitted] [Correa] Now you are about to retire, how do you feel inside: sorry, hopeful?

[Vega] I feel fulfilled... The current situation within the FACh, which continues as always, is good and that makes me happy... I do not know how difficult retiring might be, but there are so many things I want to do.

[Correa] Will you engage actively in politics?

[Vega] I am not interested in politics.

[Correa] Will you join a political party once you retire?

[Vega] No. Like any citizen, I have my opinion about each political party but I do not think I will become a militant. I do not think it is right for anyone who has held a post like mine to engage in politics. [passage omitted]

[Correa] Going back to politics. Would you like to occupy General Cesar Ruiz Danyau's seat in the Senate?

[Vega] Unfortunately that seat is vacant. It would be very good for the Air Force to have a permanent representative in Congress. But that is not possible: deceased institutional senators are not replaced.

[Correa] Has the FACh felt this absence?

[Vega] It would have been good for him to be present but we have not had any problems... We have enjoyed excellent support from the senator members of the Defense Commission.

[Correa] In other words, it does not affect you that the FACh is the only branch of the Armed and Security Forces not represented in Congress.

[Vega] Neither the FACh nor any other armed institution is "represented in Congress."

[Correa] You were the last commander in chief to arrive and the first to leave. What do you think about that?

[Vega] The fact that time went by so quickly is fascinating.

[Correa] Do you think four years is a short time?

[Vega] It is short but maybe any period of time is short... [passage omitted]

[Correa] Do you think it is time for General [Augusto] Pinochet to retire?

[Vega] Gen. Pinochet is a former president of the Republic, and I greatly respect him.

[Correa] I am talking about the commander in chief of the Army.

[Vega] You asked me about Gen. Pinochet, who is a former president of the Republic and commander in chief. I gave you my opinion, I have no other.

[Correa] You were never a member of the government junta, would you have liked to be a member?

[Vega] I could not say, I did not have that experience. I worked close to General [Gustavo] Leigh and General [Fernando] Matthei.

[Correa] Are you happy to have been the first FACh commander in democracy?

[Vega] Fate granted me this privilege; *he answers without changing his pragmatic attitude* the Government Junta took its place in history and it will not be repeated.

[Correa] Faced with another socialist government in Chile, could there be another "11 September" [1973, date of coup that brought Pinochet to power]?

[Vega] No way. Current structures and economic models are so different from then. There are practically no opponent ideologies, there are no philosophies that disagree on basic issues. The world, as a whole, is in harmony. The disagreements merely revolve around tactical issues, micro-tactical issues. Once an agreement has been reached on basic issues it is quite unlikely that groups will clash. A government today must be conducted with a scientific rationality and even more so in the future.

[Correa] Does this mean the communist threat that prompted the 1973 coup no longer exists?

[Vega] I believe the world today is very different from what it was. It is quite unlikely history will repeat itself.

[Correa] Within this globalization process, do you think Chile should resume diplomatic relations with Cuba?

[Vega] The interests of each country are reflected in its multilateral and bilateral relations. That is something the Foreign Ministry must assess. If there are common interests, the president will make the best decision for the country.

[Correa] Does the idea bother you...?

[Vega] I cannot give an opinion on this issue. When the chief of state makes a decision, I will obey it.

[Correa] Castro visited Chile during [Salvador] Allende's administration, and Colonel Labbe refused to allow the Military College to parade before him.

[Vega] We are living other times.

[Correa] Does this mean you would allow the Air Force to parade before Fidel Castro?

[Vega] If President Eduardo Frei invites him, it is a political decision. The FACh must follow the president's orders.

[Correa] In other words, the Chilean Armed Forces are obedient again?

[Vega] The Chilean Armed Forces have always been obedient. The Armed Forces throughout the world are obedient.

[Correa] Does that mean they only break the rules on special occasions?

[Vega] They lose that guideline, anarchy sets in, the hierarchic structure is disrupted, and the command line is lost only in great situations of conflict. Authority loses control only in times of conflict and chaos.

[Correa] Is that what happened in 1973?

[Vega] That is probably what happened.

[Correa] Which defense minister did you work with best?

[Vega] I have dealt with both very efficiently.

[Correa] Some branches were not happy with [Patricio] Rojas...

[Vega] I am not aware of the opinion of other branches... We dealt very efficiently with both defense ministers. Since the time of Defense Minister Patricio Rojas, and now under Minister Perez Yoma, we have been developing with continuity.

[Correa] The FACh gives the impression of being the branch closest to the administration of the Coalition of Parties for Democracy.

[Vega] Do you think so? We plan our present and future on technological and professional grounds.

[Correa] There is even talk that the FACh has been servile? What do you have to say about that?

[Vega] We have just done our job. People can call it whatever they want.

[Correa] The FACh's system has proven effective...

[Vega] The problem with the FACh is technical. This is what we always told the government and things have turned out very well.

[Correa] Better than others?

[Vega] I do not know; I do not know how things have turned out for others. I have witnessed excellent development in all the other defense and order institutions. They are all highly professional.

[Correa] Who is the Armed Forces' political leader?

[Vega] Political leader? Our entire political relationship with the national political spectrum, and government is channeled through the Defense Ministry... We do not discuss politics, just concrete development projects. We do this through the Defense Ministry. [passage omitted]

[Correa] Is the transition process over?

[Vega] There is still some things to be done.

[Correa] Are you talking about "authoritarian groups?"

[Vega] No. No. There is still a lot to be done in the structural, organic field.

[Correa] Do you think the irremovability of the commanders in chief is a good or bad system?

[Vega] It is a good system. From my experience, it is an excellent system. It gives the commander in chief and the general command a lot of freedom of action and room to work. It brings stability to the implementation of ideas and stabilizes the command's capacity to exercise functions at all levels. It makes the development more fluid and efficient.

[Correa] What happens if the commander in chief makes a mistake during the term when he cannot be replaced?

[Vega] He would have to account for it the same as any general who makes a mistake. That is what the National Security Council is for. The mechanisms will be perfected in the future. There must be sufficient autonomy within the defense institutions to exercise the functions and attain the development goals each one has in mind.

[Correa] The fact that the commanders cannot be replaced by the president, in practice, makes the Armed Forces an autonomous power.

[Vega] It cannot be autonomous. The budget is drafted by the Defense Ministry and authorized by the Finance Ministry.

[Correa] Do you think Codelco [Copper Corporation] should give the Armed forces 10 percent of its sales?

[Vega] The FACh would be stagnate without this contribution.

[Correa] How much, in money, does this percentage represent?

[Vega] It is never enough. If the government did not take that money from the copper sales, it would have to get it from somewhere else. The Finance Ministry has only one coffer.

[Correa] Does the international situation of Chile warrant such a large weapons budget?

[Vega] The international context prompts us to assess our development. I see no reason why we should not continue to improve our armed institutions.

[Correa] Are you in favor of disarmament?

[Vega] We could talk about reducing the quantity of weapons; not of disarmament... Our armaments, in general, are insufficient: the goals to perfect our branch are so big that the effort cannot be stopped. If we stop, we lose a lot. The speed of the change cannot be slowed down.

[Correa] Does one need to prepare for war to be able to enjoy peace?

[Vega] To enjoy peace one must have a tremendously efficient and modern dissuasive power. This is globally necessary.

[Correa] The Peruvian president said his country's Armed Forces are the best in the continent...

[Vega] We know each other very well in this continent. We all know each other very well.

[Correa] And?

[Vega] It is hard to make comparisons. One can make big mistakes. This is not a matter of numbers but rather of power; of a series of factors, among which numbers is just another factor. The commanders are very careful about giving opinions on the subject. The current situation in the world and in the region demands prudence.

[Correa] Do you display everything at FIDAE [International Air and Space Fair] or do you keep "some cards up your sleeves"?

[Vega] There are no such things as cards up the sleeves in this field. Everything is mentioned in the specialized books. In the world today you cannot tell lies. It is very hard to bluff anyone over high technology systems used in modern war. Imbalances stem from the ability of the system operators.

[Correa] How did you react to the Laguna del Desierto ruling?

[Vega] It upset me. It is an extremely interesting zone for Chile.

[Correa] In 1991 you said, referring to the agreements reached by Chile and Argentina: "Any solving of pending issues through good negotiations is ideal." What do you have to say about the Laguna del Desierto ruling?

[Vega] The Arbitration Court adopted quite a radical and unusual solution. I think the negotiation was not all that good. It is good that they accepted our proposal for a sound revision.

[Correa] Were you in favor of accepting the ruling during the National Security Council meeting?

[Vega] Everyone's opinion is secret.

[Correa] What do you expect from the pending trials for human rights violations involving FACh personnel?

[Vega] That the trials end soon.

[Correa] That the culprits be punished?

[Vega] The judge must decide that. We will accept what the pertinent judge decides... We must have confidence in justice and respect its decisions.

[Correa] What do you expect from the "Letelier Case"?

[Vega] The same thing. [passage omitted]

Roundup of Economic Issues

95P20653A

[FBIS Media Note]

Coal Investment Plan

Planning and Cooperation Minister Luis Maira has announced that four investment projects totaling $14 million have been approved for the Lota, Lebu, and La Chulita mines in the Eighth Region. According to the minister, if this investment is not made now, the country would have to subsidize coal production at the rate of $50 per ton. One of the projects is to mechanize the work at Lota to increase production from 200,000 to 465,000 tons per year by the end of the third year. The second project is to find and develop reserves at La Chulita to increase production to 75,000 tons per year. The third will mechanize work at the Lebu mine to increase yields and reduce production costs, with the goal of obtaining 105,000 tons per year. The fourth will relocate the preparation and packing plant at Lebu, making the plant more efficient and eliminating the discharge of waste water into the Lebu River. (Santiago EL MERCURIO, 18 February)

Telecommunications Sector Growth

According to a study by the Chilean Telephone Company, CTC, the total revenues of the telecommunications sector increased 603 percent between 1977 and 1994. The growth trend is the same for the CTC and other companies, with the CTC having about a 60-percent market share since 1991. CTC investments between 1989 and 1994 totaled a record $1.732 billion, comprising about 80 percent of total investments in the country's telecommunications sector. The study shows that as a result of the privatization that took place in 1987, as well as a clearer regulatory structure and improvement in the economy as a whole, the sector has become more efficient and competitive, and has expanded more rapidly than the economy as a whole. For example, in 1994 the overall economy grew 4.2 percent, while the telecommunications sector grew 13 percent, and the CTC 20.7 percent. (Santiago EL MERCURIO, 21 February)

Companies Attend Russian Fair

For the first time, Chilean companies have participated in an industrial fair in Russia. Eighteen food industry companies shared a stand at Prodexpo '95 in Moscow. Deputy Foreign Relations Minister Mariano Fernandez also attended. The companies made immediate sales of $10 million, with several companies selling out their entire 1995-96 production of powdered juices. The Russian market also showed "great potential" for sales of canned fish, dried fruit, canned desserts, and concentrated soups. (Santiago EL MERCURIO, 24 February)

Colombia

Justice Minister Responds to Remarks by U.S. Envoy

PA2303030995 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 23 Mar 95

[From the "Seven O'Clock Newscast"—passages within quotation marks recorded]

[FBIS Translated Text] U.S. Ambassador Myles Frechette strikes again. At Narino Palace, he has said the United States will no longer deliver to Colombia evidence against drug traffickers, because judges here do not use it.

Meanwhile, on a Venezuelan television station, a former top military officer has said Colombian journalists are sold to drug traffickers.

Peruvian newspapers also had it with Colombia. Front-page reports have stated our country sold weapons to Ecuador during the military conflict at the border.

Our country was ruthlessly attacked again, not only by the United States but also by Venezuela and Peru.

First, U.S. Ambassador Frechette again aimed his attacks against Colombia. At Narino Palace, Frechette has said the United States will no longer give Colombia evidence against drug traffickers:

[Frechette] "The United States has presented evidence here on many cases, but that evidence has seldom been used."

[Justice Minister Nestor Martinez] "We hope when the Prosecutor General's Office, which is the competent authority, needs new evidence and requests it, U.S. authorities will realize how important that evidence is for Colombian justice and will submit it."

[Frechette] "We will continue with old cases but will not handle new ones."

[Martinez] "As part of the worldwide cooperation in the struggle against drug trafficking, it is necessary to create new possibilities for judicial cooperation and, specifically, for the exchange of evidence."

[Frechette] "We are hoping to see changes in how the Colombian judicial system uses the evidence the United States has provided."

[Martinez] "We have presented the subject of revisions to the current laws based on national interests and the responsibility it entails for the government and other pertinent authorities. We must, naturally, consider our national interests in this regard."

Minister Remarks on Guilds' Criticism of Social Pact

PA2303031295 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 22 Mar 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] The Social Pact is stagnated. The private sectors threw the first stone at it today, and it was indeed a big rock. Although the public sector had promised to comply with the Pact, it issued a public document stating it will not accept the government fining those who have readjustments over 18 percent.

The fragility of the Social Pact is out in the open. The guilds thought like this in December:

[Begin Carlos Arturo Angel, president of the National Association of Industrialists, recording] We are talking about prices. We are committed to an agreement stipulating an 18 percent overall level. This is our commitment. [end recording]

The Business Council document issued today, which was signed by 14 guild presidents, states they will not accept their prices being controlled and their actions supervised:

[Begin Finance Minister Guillermo Perry recording] The guilds have cooperated very well with the Pact up to now. As you know, there have been problems with several specific sectors, but we hope the guilds will continue to cooperate not with us, not with the government but with the country. [end recording]

Regarding increasing rates of public services, such as electricity, the government has also warned it will not allow such actions against the Pact:

[Begin Perry recording] We believe it is impossible to break the Social Pact for one reason or another. It would be absurd, impossible for the Electricity and Gas Commission to authorize something like this. [end recording]

The minister has said that electricity companies are not so hard pressed and that they can overcome their problems by simply selling assets and allowing participation in the companies; that is, to reduce their investments.

Authorities Investigate Money Laundering Through Lotteries

PA2303042095 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 22 Mar 95

[From the "Seven O'Clock" newscast]

[FBIS Translated Text] The unusual and fortuitous manner in which the relatives of leaders of drug trafficking cartels win lottery prizes was unveiled again in Colombia today. This is the case of the family of Ivan Urdinola Grajales. According to the Prosecutor General's Office of the Republic, the members of this family have won millions of pesos in prizes at least six times.

This is how the anomaly the authorities have uncovered works: Although Lorena Henao Montoya, wife of Ivan Urdinola Grajales, appears as the happy winner of the largest prize of the Santa Fe de Bogota lottery, other people have bought tickets with the winning number. The authorities confirmed it when they discovered the lottery office has sold tickets with the number 5937 in Honda, Tolima Department, and La Dorada, Caldas Department. A lottery vendor interrogated by the authorities has disclosed he did not sell the tickets to just one person but, rather, to several, none of them being Mrs. Urdinola or her son, who officially appear as the buyers of the tickets.

The authorities have also learned that tickets with that number were sold in various cities of the country and that the winners have tipped the vendor who sold the tickets. None of the winners was identified as a relative of the alleged head of the Northern Valle del Cauca

Cartel. Nevertheless, Lorena Henao Montoya has collected a prize of 123 million pesos on behalf of her son, Oscar Ivan.

According to authorities, there are grounds for the Prosecutor General's Office to investigate Mrs. Urdinola for illicit enrichment and money laundering. The latter seems to be the key objective in this system of selling and buying lottery tickets.

Although Mrs. Urdinola's case stands out as the first one in which the authorities may prove lotteries are used to launder money, the Prosecutor General's Office has learned of many other similar cases involving the relatives or friends of drug traffickers.

The first case to draw the authorities' attention has involved Angela Ochoa Vasquez, sister of the Medellin Cartel leaders who are under arrest. She has collected a huge lottery prize. The list of winners who are suspect includes Gilberto Rodriguez Orejuela, the alleged Cali Cartel chief, who won more than 400 million pesos in a drawing two years ago.

Manuela Escobar Henao, the little daughter of Pablo Escobar Gaviria, has, strangely enough, won the Antioquia lottery on more than one occasion. A cousin of Ivan Urdinola Grajales has appeared twice as a lottery winner, collecting prizes of more than 600 million pesos. The Prosecutor General's Office is investigating all these cases to establish the extent to which winning the lottery so many times can constitute a crime.

Popular Liberation Army Leader Arrested

PA2303042695 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 22 Mar 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] An EPL [Popular Liberation Army] chieftain was arrested in (El Tara), Santander, today. He is the man who allegedly replaced Francisco Caraballo, who was arrested several months ago. The importance of today's arrest is that this guerrilla is said to have kidnapped and murdered former Minister Argelino Duran Quintero.

Diosael Barbosa Angarita, alias Wilson Sabala or Doingre, headed Duran Quintero's kidnapping and murder in Ocana, Norte de Santander. He is also said to be responsible for the kidnapping of former parliamentarian Norberto Morales Ballesteros, for whose release he received 350 million pesos. He ordered the murders of former Barranca Bermeja Mayor Rafael Fernandez and USO [Workers Trade Union] Secretary Rodrigo Alonso Rojas.

When the talks between the government and the EPL were taking place in 1990, Barbosa headed the desertion of 35 guerrillas from the Campo Giles Camp in Norte de Santander. He is said to have kidnapped 12 political leaders and cattlemen along the northern coast between June 1992 and December 1994 and ordered the murder of 10 of his victims, most of them demobilized EPL members:

[Begin General Agustin Ardila, 5th Army Brigade commander, recording] Together with Wilson, we also arrested his brother, alias Milton. I want to thank the civilian people for their cooperation. It has led to the arrest of these two criminals. [end recording]

Military intelligence reports have revealed that Diosael Barbosa, together with his brother, Roque Eli, abandoned the EPL ranks last month and that he took 200 million pesos with him.

Effectiveness of Congress Questioned

95CA0165A Santa Fe de Bogota EL ESPECTADOR in Spanish 5 Mar 95 p 2A

[EL ESPECTADOR editorial: "What About Congress?"]

[FBIS Translated Text] Congress is in special session, at the administration's request, and almost no one realizes it. Ours is now a silent Congress; it speaks very little, and passing legislation to deal with the country's serious problems is hardly its great passion. Nevertheless, whenever the occasion arises, it does take superb advantage of the congressional travel budget to see the world at State expense.

The mere fact that a special session was called does not make it one; rather, this is just another regular session devoted to the same pointless political pursuits. The session is laboriously shouldered and endured, but gives no indication of being connected dynamically with the country or of responsibly taking up its problems.

We are beset by so many problems and they have been put off for so long that no one seriously thinks any longer that Congress is capable of studying and solving them. Not because the institution as such cannot do so, as a sovereign national body—but owing to the circumstances of its tainted origin and the scant enthusiasm among most of its members about taking up the challenges that a situation like the one facing the country poses on a daily basis.

Congress has yet to consider the Development Plan, which it must examine so that, along with the administration, it can help spur what is assumed to be a tool for strengthening the nation and moving it forward. But nothing of the sort is happening. The bill is bogged down. And though there are valiant groups in Congress that are fully aware of pressing national needs, what is felt around them is an overpowering vacuum, followed by profound silence.

The crisis currently besetting Congress is not an isolated phenomenon in our democratic system. It is the consequence of a structural phenomenon that can also be observed in the other branches of government. The justice system, too, is suffering from the disruptions caused by similar blows. And the three levels of the Executive Branch, the national, departmental, and municipal, are also victims of obvious wear and tear.

Although it is true that Congress is not earnestly discharging its duty to legislate for the good of the country, the justice system is not working either, and the Executive Branch is not executing.

It would seem as though what is failing in the upper reaches of the Colombian Government is nothing less than Colombians themselves, in their human and political responsibility, in the awareness of their duty to the country. But since there are so many congressmen of so many different persuasions, the Colombian people look mainly to them.

After this special session will come the other kind that our constitution expressly indicates. It is quite likely that the same things will continue happening.

In any event, Congress will find that the administration will keep on talking about peace, and armed criminals too, while its guns continue to blaze. Congress will wash its hands of the matter, and the armed criminals will display their bloodstained hands. And the Judiciary will continue to hide its face while crime spreads with impunity.

Legislation is not everything, and the simple fact is that the law must also be safeguarded and its dictates executed.

Just as the public judges Congress, it must likewise judge the two other branches of government, demand that they comply with their responsibilities, and compare their performance against their constitutional and legal duties.

Nevertheless, because Congress is the sovereign body of the nation, it gives off much less light under its dense shadows. And on occasion, it also grows dark behind the cloak of its puerile attitudes.

For example, what are two members of the House of Representatives, like birds of a feather, once again on the path towards acquitting Canossa, going to do this time in the United States as they seek to have certification amended? What if the door is slammed in their faces, too, as it was to our police commanders? Because the truth is that congressional tourism is not of that much use...

First Rural Vigilance Association Formed

95CA0166A Santa Fe de Bogota EL TIEMPO in Spanish 7 Mar 95 p 9A

[FBIS Translated Text] Medellin—The first rural vigilance association formed in the country will begin operating in eastern Antioquia. This decision was made after a government communal council meeting, held in La Ceja, approved its charter.

The department's governor, Alvaro Uribe Velez, presided over the meeting with the eastern Antioquia community, which was also attended by approximately 150 persons. The latter included Mario Fernando Sanchez, the vigilance and security superintendent, and Marta Lucia Bustamante, delegate representing Antioquia.

The association, which adopted the name Convivir del Oriente, will have its headquarters in Rionegro, and will operate in Guarne, El Carmen, Marinilla, Santuario, San Vicente, El Retiro, La Ceja, and La Union.

Based there, besides the Jose Maria Cordova Airport, are major business firms such as Riotex, Colpapel, the National Chocolates Company, and Uniflores. The free trade zone will soon begin operating in Rionegro.

It is also an area in which beautiful summer residences and first-class public establishments are situated.

During the past few months, the area has become a center of operations for gangs of assailants, where the guerrilla movement has intensified its presence. There have also been some invasions by self-defense groups.

Pedro Juan Moreno Villa, the department's government secretary, reported that the new association will have two major areas for its work. The first will be social action with the community, in the fields of education, health, recreation, security, and employment; and the second, functional support for the authorities, including communication, information, and transportation.

As for whether or not they will use weapons, Moreno added that this decision will be made by the community itself in due time.

Moreno commented: "In case they decide to use weapons, they will be supplied according to the existing legal regulations, and after a study to be made by the Brigade on whether or not the sale of weapons to this type of institution is advisable."

Another meeting with the mayors of the eastern municipalities is planned for this Wednesday, to begin devising the plans and programs to be pursued. It is also expected that the association will have received its legal capacity from the governor by Thursday.

To achieve this, a provisional board was formed, consisting of five persons, with their respective alternates, in which a regional balance was sought. The board's chairmanship was left in the hands of Jaime Tobon Villegas, ex-rector of the University of Medellin.

Moreno, explaining the reasons for promoting this type of institution, remarked: "There is a very deeply felt need for it in the east, owing to the degree of deterioration in public order that has occurred in the region, where the community has found itself assaulted and harassed by lawless groups. The community, aware of this problem, decided to become organized."

Insurgent Attack on Ituango Described

95CA0167A Santa Fe de Bogota EL TIEMPO in Spanish 7 Mar 95 p 3A

[FBIS Translated Text] Medellin—One policeman, two young waiters from a bar, a passerby, and three inmates of the local jail were killed during an attack by five fronts of the Revolutionary Armed Forces of Colombia [FARC] on Ituango, 195 km north of Medellin.

The mayor and the local human rights ombudsman were kidnapped during the attack, which also left 15 persons injured and many of the buildings in the park destroyed.

The town, on the Cordoba border, was shocked by the burst of machine gun fire and rocket explosions that began about 2100 hours on Sunday night.

The attack was started against the police command post, where Lieutenant Igor Mantilla Garzon was posted, heading a roster of one noncommissioned officer and 18 agents.

According to the police, the assault was committed by approximately 500 guerrillas from the FARC's 18th, 33rd, 36th, 56th, and 57th Fronts, who attacked the 20 policemen from different vantage points for 24 hours. The attack ended about 0900 hours on Monday morning.

The first fragmentary reports released in Medellin mentioned that a 24-hour nightmare had been experienced. Within 15 minutes after the shots began, the guerrillas had already destroyed all the communications systems (telephone exchange, telegraph system, and radiotelephone antennas). The same damage was done to the electric power networks, leaving the municipality totally out of contact with the rest of the world. No service had been restored as of this Monday.

As if that were not enough, all the entrances to the town were mined, to prevent the entry of Army and police reinforcements, which were able to arrive only on two helicopters.

The first witnesses relate that, after attacking the police command post, groups of guerrillas acting simultaneously headed for the municipal jail. There, they released 38 inmates and killed the other three, identified as Reginaldo Correa Perez and the brothers Alberto and Roman Oliveros, accused of homicide.

The guerrillas seized five revolvers from the jail's guards, partially burning the prison.

Amid the chaos and confusion in communications, it was learned that two young men working at a bar beside the main park, where the guerrillas arrived firing indiscriminately, had also been killed. The victims were Fabio Morales, aged 23, and Guillermo Herrera, 25. An unidentified passerby was killed as well.

According to an official report, the only police agent killed was Alveiro Agredo Hidrobo, who lost his life when the command post building collapsed. His body was retrieved this Monday.

Police spokesmen also stated that, although no bodies of guerrillas were found, traces of blood were noticed on the route by which they fled. It was estimated that at least 10 wounded subversives were removed from the town by their comrades.

There were also reports of the discovery of abandoned weapons. [passage omitted]

The guerrillas attacked with rockets, firebombs, and bursts of machine-gun fire. The appearance of the area surrounding the main square was that of a town in ruins. The police command post, the municipal palace, the Agricultural Credit Bank, the Coffee Growers Bank, a doctor's office, and four other premises were left devastated. The jail was half destroyed as well.

Also destroyed were several buses that were stationed in the park.

It was very difficult to send official reinforcements, because all the roads leading to the town had been mined. Bad weather was another obstacle to early access by two helicopters sent from the base in San Andres de Cuerquia, a nearby municipality.

About noon, entry was possible for the troops from the Girardot Battalion, attached to the Fourth Brigade, and for the counterguerrilla personnel from the Antioquia Police Command Post. The latter's commander, Colonel Guillermo Vega Carrillo, assumed responsibility for leading the pursuit of the guerrillas, who had fled to the village of Las Granjas.

Although the authorities claimed that this was an occupation by two FARC fronts, the parish priest, Jairo Varela Correa, from Ituango, said that he had spoken with a guerrilla fighter who told him that six fronts had been combined, totaling 1,000 men.

After the nightmare suffered for 24 hours, a group consisting of the 5,000 inhabitants of Ituango's urban area helped the soldiers and police in removing the rubble.

By now, the people seem to have become used to seeing destruction and distress due to guerrilla activities, and have not forgotten that the town has been attacked by subversives four times within the past 10 years.

Meanwhile, last Sunday, the new FARC 60th Detachment blew up a security station at the Sajandi hydroelectric plant in the municipality of El Patia, in southern Cauca.

The station, in which 120 million pesos had been invested, was intended to guard the hydroelectric power plant. In 1983, it was blown up by the FARC's Fourth Detachment.

According to the police report, the incident occurred close to midnight, but it is not known how many men participated in the dynamite attack.

Nevertheless, the subversives announced that they would allow the operation of Sajandi, which will provide power to a large sector of Valle del Patia and to some localities in the Western Cordillera. However, they said that they would take action against the police installation.

Motivation Behind Ituango Attack Discussed

95P26049 Santa Fe de Bogota EL TIEMPO in Spanish 8 Mar 95 p 4A

[EL TIEMPO editorial: "Ituango"]

[FBIS Translated Text] The photograph published yesterday on the front page of this newspaper could have been taken in the Japanese city of Kobe. The scene is similar, with demolished homes, walls reduced to rubble, and people looking bewilderedly at the damage inflicted upon the inhabitants of Ituango who, hours earlier, had been living happy and peaceful lives. But the cause of the tragedy was completely different. Kobe had been leveled by uncontrollable natural forces. The enormous material damage and the suffering of the people were caused by an earthquake of unusual proportions.

The motivation behind what happened in Ituango was as dissimilar as it was vile and despicable. They were people from the same country, perhaps the same region who, armed with hate, destroyed—for that is what happened—the peaceful and hard-working community of Ituango located in the heart of Antioquia. Ituango was another victim of that blind passion which clouds the eyes of patriotism and the love for what is ours, ideas which should be motive enough to prevent one from even thinking of inflicting damage on the land which witnessed the birth of those who would be harmed, and in whose bosom all those who open their eyes under Colombian skies hope to rest.

In addition to the material damage, peace has suffered a moral blow which cannot be concealed. Accustomed to assaults, Colombians have observed with profound sadness the cruelty which motivated Ituango's attackers. It is impossible to ignore or disregard what happened. The subversives launched an overwhelming attack, using their tactic of offering peace and making war. We Colombians have suffered from this deceitful game so often that, at times, we could describe the governments who have been victims of the insurgents as being incredibly naive.

Moreover, the weapons used were not old rifles or delapidated machine guns. This time the subversives used arms which could well be a source of pride for any army charged with defending its country's borders. The use of missiles and other powerful weapons with deadly effectiveness is a cause for alarm and should give pause to those who think it advisable to weaken the Armed Forces, something which would only lend support to the campaign being waged by the enemies of order and established institutions.

We don't know what arguments will be used by those who, openly or secretly, are friends of the guerrillas, but it is going to be very difficult for them to get around this image of destruction, mourning, and desolation which the false percursors of peace and harmony in Colombia left behind as they passed through Ituango. Faced with the challenge of Ituango, the only thing to do is to express solidarity with the National Army and with all groups charged with fighting subversion.

International opinion—this time because the mission of foreign citizens seeking the release of two Swedish engineers was the victim of a hoax by the FARC [Revolutionary Armed Forces of Colombia]—will be able to grasp precisely the guerrilla groups' ignoble and hypocritical proposals.

In the same way, it is necessary to reinforce the border with Venezuela, keep our eyes open, and strengthen ties with the Venezuelan Army because the killing of eight soldiers of this neighboring country is a call to recognize the guerrillas' intention of creating difficulties between Colombia and that country. It doesn't require great wisdom to understand the simple tactic of creating conflict between the two countries. Colombians and Venezuelans should beware of this trap because the guerrillas seek to upset both peoples, stir up nationalist sentiments, and thus to create more difficulties between the two countries' two Armed Forces, which have to fight subversion and drug trafficking—which resemble each other more each day—on so many fronts.

A disagreement with Venezuela would clearly support the guerrillas, because it would be equivalent to distracting the security forces, their governments, and their leaders; and it would slow the ample trade which today unites the two Bolivarian peoples.

Ecuador

Envoy Denies Report of Colombian Arms Shipment

PA2203200795 Quito Voz de los Andes in Spanish 2300 GMT 21 Mar 95

[FBIS Translated Text] Domingo Cordovez, the Ecuadoran ambassador to Colombia, has flatly denied reports carried by the Santa Fe de Bogota newspaper LA PRENSA saying that Ecuador received arms from Colombia during the war with Peru. He insisted that, as far as he knows, no arms were received in any form.

According to LA PRENSA, on 4 February, one day after the Colombian Foreign Ministry declared Colombia's full neutrality in the conflict, the Colombian Government delivered 60 tons of ordnance, consisting of ammunition and rockets, to the Ecuadoran Government.

Cordovez said that he had no idea where this report originated but that it is useless because it is completely wrong.

LA PRENSA reported that Colombia flew this materiel to Ipiales, near the border with Ecuador, in three flights of Hercules C-130 planes and that the ordnance was then carried by land to Ecuador. Colombian diplomatic and military sources who were consulted were astonished by the report.

Minister on Colombian Request for Tighter Security

PA2203192895 Mexico City NOTIMEX in Spanish 1712 GMT 22 Mar 95

[FBIS Translated Text] Quito, 22 Mar (NOTIMEX)—Ecuadoran Defense Minister Jose Gallardo today described as the "right thing to do" a Colombian Government request asking the Ecuadoran Government to increase surveillance along the common border to forestall armed attacks by Colombian guerrillas.

Gallardo said that "these warnings are sent from the two sides, to ensure the safety of both the Colombian and Ecuadoran people. Measures are in place at all times to prevent such actions."

Colombian Defense Minister Fernando Botero told the Spanish magazine CAMBIO 16 that Colombia had asked Ecuador to step up surveillance at the common border to prevent the Colombian guerrillas from launching "subversive strategies" aimed at destabilization.

Botero said: "We alerted Ecuador so it could tighten security." He added that there have been reports that the Colombian guerrillas were planning an attack similar to the attack perpetrated in Cararabo on the border with Venezuela during which eight Venezuelan marines were killed.

In the past few days, Ecuadoran troops have had a few skirmishes with Colombian rebel groups in the dense Putumayo jungle region.

Financial Authorities Report on War Costs

PA2203154595 Quito Voz de los Andes in Spanish 2300 GMT 21 Mar 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] The president of the Monetary Board, the finance minister and the manager of the Central Bank—the three top Ecuadoran financial authorities—have stated in interviews that the amount of 600 billion sucres cited as defense spending in light of the Peruvian aggression is not final.

Ana Lucia Armijo, president of the Monetary Board, noted that this special spending will be covered by the car tax, a contribution from workers equivalent to two days wages, and a 10-percent budget cut, which does not mean this percentage will be applied to the total budget of 8 million sucres. Armijo explained that current spending in the budget, which include wages and salaries, cannot be reduced. The same policy holds true for foreign debt payments. All of this implies that the reduction will not be applied to the entire budget, but only a part of it.

Referring to the elimination of exemptions on the payment of the value-added tax, he remarked that this initiative seeks to decrease the substantial exemptions from this tax in order to increase revenues and use it as a model for the collection of other taxes. Armijo noted that this measure is very appropriate because some war expenditures are permanent, and it is necessary to cover them through a measure that is also permanent and that can generate resources and strengthen the tax revenue structure.

Central Bank Manager Augusto De la Torre stated that estimates on the costs of the conflict are incomplete because expenditures such as those related to the presence of observers, the demobilization of troops, and the replacement of the equipment and ammunition used to defend the territory must still be covered. De la Torre stressed that the Armed Forces have demonstrated great financial responsibility regarding the conflict.

Finance Minister Modesto Correa said that he is ready to give a detailed report on the costs of the war to Congress because everything related to the debt before the conflict is fully supported and backed by the relevant data and figures.

Congress President Criticizes Proposed Budget Cut

PA2203234295 Quito Voz de los Andes in Spanish 2300 GMT 21 Mar 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] The government continues to study the possibility of cutting this year's budget to offset the effects of the border conflict with Peru. Finance Minister Modesto Correa has said that efforts are being made to reach an agreement with the Congress to approve the cut. In addition, the Congress president has said that the budget should be cut without touching allocations for social benefits.

[Begin recording] [Congress President Heinz Moeller] We have been told about the budget cut but we want it to be effectively done. Many interests are at stake but, above everything else, it is necessary for the expenses caused by the war to be compensated for, not only the war we just fought but one that we would have to fight if the rules of the game are broken.

[Reporter] Do you mean cutting the budget but without reducing the amounts allocated for social benefits?

[Moeller] Of course. Otherwise, we would be reducing what little money we spend to begin with. If there is something the government should be criticized for it is its lack of attention to social sectors. Instead, it is necessary to increase in the near future the amounts allocated for the social benefits that the lower classes are so much in need of. [end recording]

Monetary Board President Views Postwar Economy

95SM0246A Guayaquil EL UNIVERSO (SUNDAY SECTION) in Spanish 12 Mar 95 p 4

[Interview with Ana Lucia Armijos, president of the Monetary Board, by Wilson Araujo; date and place not given: "We Will All Pay The War's Cost"]

[FBIS Translated Text] The armed conflict provoked by Peru has put to the test the economic program of the Duran-Ballen-Dahik administration and, in general, the ability of Ecuadorians and of the country's productive economy to deal with difficult problems.

It was not anticipated that treacherous behavior from within the financial system itself would create a bank panic that drained 400 billion sucres from clients' bank deposits, that are gradually returning.

Economic Impact

This caused problems in the economy and in the productive system in general, which is embittered because it was left without credit, while the banking system had to lend at 270 percent interest in order to overcome problems with financial reserves.

The president of the Monetary Board, Ana Lucia Armijos, is optimistic that this situation can be successfully resolved, because there is a feeling of great unity and cooperation among Ecuadorians that we all pay the costs of the war, which has been estimated as of now at $150 million.

The conflict has brought home important lessons to the economic authorities, as well as satisfaction, because "now that the most difficult period is over, we are absolutely sure that we chose the correct strategy, because we managed to maintain the macroeconomic program at the lowest possible cost."

EL UNIVERSO spoke with the president of the Monetary Board about the crucial period the country experienced as a result of Peru's armed aggression, the actions the government must take in order to deal with the crisis. These are her remarks:

[Araujo] The armed conflict is virtually over. How are we going to deal with the postwar period, which is the other part of the problem?

[Armijos] A war has direct and indirect costs. The direct costs are quantifiable, and as soon as this situation ends, our forces will be demobilized and demilitarized, and we will have a definite estimate of the war's costs. But there are also indirect costs, reflected in the lessening of economic growth, the fact that interest rates tend to decline and will not reach the levels that we would have expected if there had been no conflict, and perhaps a reduction in foreign investment, especially over the short term. These indirect costs cannot be evaluated immediately, but we will be feeling them throughout the rest of the year.

As a consequence of the conflict and as a precautionary measure, the authorities have modified some of the goals of the economic program, because we believe that the goal for inflation and especially that for growth have been those most affected as a consequence of the conflict. Why? Because to have economic growth you have to have investment, and it is precisely investment that has been affected: in public investment, through a revision of investment projects that are in the budget, in which it was necessary to cut spending, as well as through the deferment of some production plans in the private sector, and the paralysis that affected the productive economy during the five weeks of the conflict.

[Araujo] But, what direct actions have the economic authorities planned to fundamentally reactivate the real economy?

[Armijos] I spoke of a temporary paralysis during the conflict, but we have already seen how the banks have renewed their operations with the productive sectors of the economy, so that little by little, the productive economy will be reactivated. It is the delay that leads us to believe that there will be less growth, but reactivation will come, bank credits will be granted, although we do not believe that the volume of credit from the banks to the productive sectors will be in the amounts that we had initially planned for the year.

This will cause total growth for the year to be smaller. There is going to be a reactivation, but to have the growth that we expected, between 4 and 5 percent, a volume of financing is needed that will be reduced this year as a consequence of the war.

Bu to answer your question specifically, direct support to the real sector is provided through credit institutions such as the National Development Bank [BNF], the National Financing Corporation [CFN] and the Development Bank of Ecuador [BEDE], the banks which have lines of credit that, in the case of the BEDE, go to sectional bodies, and in the case of the BNF and the CFN, to the agricultural sector and the other sectors of the economy. The CFN, by the way, has just received a loan of 100 million [currency not specified] from the CAF [Andean Development Corporation] to reactivate the productive sectors.

[Araujo] But will interest rates remain high?

[Armijos] I believe that this month we have seen interest rates decline slowly and gradually. An immediate reduction in interest rates was not to be expected, because for four or five weeks the banks took in money at very high rates, and those rates still weigh heavily. I believe that in 90 days, because most of this is short-term money, we will be able to speak of much more reasonable rates of interest that will lead to a reactivation of the productive economy.

[Araujo] Some experts believe that the crisis should not be dealt with by monetary and exchange measures alone, but that there should be other changes in programs. What do you think?

[Armijos] The critics always talk but never come up with any specific measures. We are not only taking monetary and exchange measures. We have taken fiscal measures, basically to maintain equilibrium in public finances, to avoid inflation, and achieve economic growth. Measures have been taken, not only to obtain additional revenue by means of economic measures, but basically through a prioritization of spending, in order to make more efficient use of the resources that we possess.

We are also continuing with modernization and with structural reform, which will enable us to maintain macroeconomic stability, which is what has most benefitted the economy.

[Araujo] What has been the war's effect on investment?

[Armijos] It is difficult to measure the immediate effect. We believe, in the first place, that there has been no capital flight; in the second place, we believe that the influx of capital that was anticipated for 1995 will undoubtedly be lessened, especially with regard to short-term capital, because I do not believe that long-term investment will be affected by what happened, but those for the short-term will be.

[Araujo] Can you quantify?

[Armijos] In 1993 and 1994, the influx of capital into the country exceeded $500 million. We would not expect a sum like that in 1995, but I do not believe that we are much below that figure.

[Araujo] How do you visualize the new Ecuador, of which President Sixto Duran-Ballen spoke?

[Armijos] I understand a new Ecuador to begin with the iron unity of all Ecuadorians and all political sectors. We hope that this unity does not break down, because we believe that, united, we have been or will be able to continue to move ahead with some of the reforms that are fundamental for the country, beginning with political reform, which is being supplied through constitutional reform and the laws we require to carry on with modernization. Voices have also been heard that modernization should be deferred. I disagree with that completely. After what happened in the conflict, we should continue on even more diligently, because the modernization process will benefit the entire country.

[Box, p 4]

Difficult Moments in the Conflict

[Araujo] What were the government's most difficult moments during the conflict?

[Armijos] I believe the most difficult period was from Friday, 27 January, to Tuesday, 31 January, when we had to take certain measures, especially in the fiscal area, that would enable us to have the necessary resources to deal with the armed conflict.

[Araujo] Is there some special formula for going to war?

[Armijos] There is no formula for war. I believe that a conflict such as we experienced was not foreseeable. We had thought of everything except the possibility of a war. Nevertheless, we could face it calmly and responsibly and, why not say it, always relying on enormous support for the economic team from the president and the vice president of the Republic.

[Araujo] Will people be disappointed after the experience of great national unity?

[Armijos] I hope, as does the president of the Republic, that we will continue to maintain this unity. It would be desirable that this unity be maintained, and that we go forward with the reforms that the country needs.

[Box, p 4]

New Economic Goals

[Araujo] What is the status of the economy following the conflict?

[Armijos] The 1995 economic program started from a very solid foundation, and I have said so repeatedly. The economy suffered greatly as a consequence of the war, not only because of the expense that was involved, but above all because of the temporary paralysis it caused in the productive economy, the possible decline in foreign investment, the instability that resulted, and the fact that many investors will have delayed their investment plans.

I am very optimistic that we are going to reach the new goals that we have set out, I am optimistic that the fiscal balance which we so desire is going to enable us to continue toward objective number one, which is to lower inflation. Above all, it is going to enable us to continue the investment program in the social sectors.

[Araujo] What was the opinion of the IMF and the other international agencies on how the crisis was handled?

[Armijos] In general, the international and multilateral organizations expressed satisfaction over the way in which the crisis was handled, especially after a period so close to the Mexican crisis, where there was a substantial loss of reserves as a result of political instability and the Chiapas problem. This warned us that, in similar situations, we should take action in the most immediate and opportune way.

[Araujo] Is it not risky to complete the Brady agreement in time of war?

[Armijos] Not at all. Agreement to the Brady plan is rather the completion of a process that began two years ago, two years that cost the country long and difficult negotiations to reach a conclusion to debt restructuring. The final agreement was signed in Madrid in October 1994, and what has been done since that date, until 28 February, when the bonds were exchanged at par, and discounted bonds for old paper, was rather an operational process for the prepartion of legal instruments. Therefore, although there are persons who believed that the matter should not have been concluded, the firm decision of the economic authorities was to complete the process, because otherwise we would be creating serious problems abroad of credibility and trust among foreign investors.

[Araujo] Who is going to pay the bill for the war?

[Armijos] Everyone, as shown by the measures that have been taken, even though emphasis was given to measures that obtained resources from the sectors that could best afford it. An example is the two percent vehicle tax, which undoubtedly will raise revenues from those who are better off, not from the poor. This is what we are doing in budget cuts, in current spending as well as investments, cutting as little as possible from spending destined for the poorest social sectors.

[Araujo] If the VAT proposal does not pass, what other options is the government considering?

[Armijos] I believe the government will have to consider alternatives that will allow us to obtain comparable revenues.

[Araujo] What are those alternatives?

[Armijos] I would not want to speculate, but Congress has had the idea of placing a tax on real estate, believing that sector best able to contribute. That is one alternative. We are doing calculations to see how much revenue would be generated, how the tax would work, what the methodology or the mechanism would be, whether or not it would be efficient, in sum... We have not rejected this alternative, and I am not the appropriate person to say whether or not this measure is acceptable.

Border Conflict's Impact on Economic Sectors Viewed

95SM0232A EL COMERCIO MARTES ECONOMICO SUPPPLEMENT in Spanish 21 Feb 95 pp 13-16

[Article by Carmen Santillan S.: "Impact of the Military Conflict on the Economy"]

[FBIS Translated Text] In addition to its direct consequences in terms of loss of life and destruction of property, Peru's undeclared war on Ecuador is having an immediate and concrete impact on the nation's economic system. Some of this impact was visible—especially in the early days of the crisis—in the nervousness of the financial market and banking circles, in the withdrawal of funds, in the sharp increase in interest rates, and in the total contraction of credit. The Central Bank has succeeded in maintaining the price of the dollar relatively stable, although a marked trend toward a greater demand for the dollar has been noted.

With respect to production, the domestic market has experienced variations but not to the extent of causing massive speculation or massive shortages. Some reports in the international press (for example, the FINANCIAL TIMES of 11 February 1995) maintain that the military conflict is probably costing Ecuador around $10 million per day. Whatever the actual figure for the costs of mobilization and defense may be, the fact is that the crisis will inevitably have—in the medium term—some impact on all economic activity. Indeed, the taxes created by the government—the transportation taxes and the proposed elimination of exemptions from the VAT—are costs that we have already begun to pay. In the present article, leaders of the export trade, commerce, agriculture, and construction tell MARTES ECONOMICO of their concerns regarding the effects that the border conflict is having in their respective sectors. We regret that no representatives of the manufacturing and industrial sector have agreed to share their opinions with us despite our repeated requests for an interview.

Integration: A Step Backward

Hernan Leon Guarderas, managing director of the Ecuadoran Federation of Exporters (FEDEXPOR), believes it is necessary to analyze the differences in the circumstances that prevail respectively in Ecuador and in Peru. He says that although domestic law and order has been restored in Peru, that country's economic situation is not so sound. On the other hand, he adds, Ecuador's economy has in recent years achieved an equilibrium and has entered a period of growth. "We must be fair," Leon says, "and acknowledge that this equilibrium is the result of an appropriate economic policy."

In the opinion of this leading exporter, the short- and long-term consequences of the conflict will impact the economies of both countries. Leon is primarily concerned with the impact on economic integration precisely at a time when President Clinton had just succeeded last December in holding a meeting of 34 presidents to discuss proposals for free trade and a historical integration of the continent.

According to Leon, integration is a necessity in today's world, which is moving toward internationalization and globalization of the economy—which in turn means opening up borders, eliminating trade barriers, and forming natural blocs or areas of influence. The blocs that exist today, he explains, require that the Latin American countries have a clear position, in order to establish a presence and have concrete influence in the world. The Ecuadoran-Peruvian conflict obviously makes this objective difficult to obtain.

Exports

The ultimate impact of the conflict on the export sector cannot be forecast with precision, Leon said, but because unforeseen expenditures will have to be made, the projections will obviously change. The government will have to revise its budget for expenses and investments so that the normal development of economic activities will not be affected. But because the bills will have to be paid by all Ecuadorans, this is going to have an impact on costs, and to that extent the levels of competitiveness of our exports may be impacted. Leon believes, however, that this situation does not mean that because of the military conflict our foreign trade will "fall apart" but that, on the contrary, the production sectors will have to be very imaginative in order to counteract its problems.

In Hernan Leon's opinion, the promotion of Ecuador's products abroad at the present time is not as effective as it could be. He says it should follow a strategy that is linked to a comprehensive policy. "I am not saying that no policy exists," he says, "but rather that it is not adapted to the current trends toward modernization and internationalization of the economy. Our country is very propitious for investment," he maintains, "but only if we have a definite strategy and more explicit standards concerning how to produce more and produce for export." He believes that only this will strengthen the government and the economy and generate more foreign exchange, and that only in this way will more jobs be created and a favorable trade balance obtained.

A Lesson To Be Learned

The managing director of FEDEXPOR believes that our country may have needed this small earthquake "which," he says, "was neither encouraged nor desired." The spirit of national unity that has ensued, he explained, "must be capitalized, exploited, and perpetuated," because there are other areas in which conflicts and difficulties also exist: for example, in regard to the tariff barriers that exist in Europe against our exports. Leon says that these are other forms of warfare that our country must strongly resist. Positive lessons must be derived from these adversities, Hernan Leon says, and in this regard the production sector is ready for the challenge.

"War Only Destroys...."

Andres Perez, president of the Chamber of Commerce, believes that this is a critical moment in Ecuador's history—a moment that must be confronted with the tenacity and strength that the Ecuadoran people are deriving from the unity that they have manifested thus far.

Perez' concern is that little response has been obtained at the international level despite the extraordinary efforts that have been made. He says this is because of a very real and concrete fact of which we Ecuadorans must be aware: namely, that "because Ecuador is a small country in terms of territory and is also small from the standpoint of trade and investment in relation to the rest of the world, it has little influence to exercise for the specific purpose of enforcing our rights at a given moment."

In the past two years Peru has been able—through a process of modernization and liberalization of trade—to improve its foreign trade substantially and obtain huge quantities of foreign investment capital. This policy of opening its borders to trade, Perez believes, is what has carried the day for Peru with respect to intervention by the other countries of the world, "which," he says, "in making their decisions are concerned with those countries that are their trading partners or in which their investors have put their capital at risk."

Modernization: An Urgent Necessity

In Perez' opinion, if there is any important lesson for us to learn from this conflict—a conflict that will be very costly for us and delay the development program that we were just beginning—it is that we must carry forward without delay the process of modernization and liberalization of our economy.

In the opinion of this businessman, Ecuador must open itself up to the world so that its foreign trade can be substantially increased, and also open itself up to foreign investment so that all the capital which on the one hand we need for development can also serve as a guarantee against this kind of risk from which our country is not exempt. He explains that we must undertake with valor and daring the process that had barely been begun. "We must," Perez declares, "carry out the necessary constitutional reforms and modernize our production apparatus."

The impact of the conflict on commerce will be serious, he insists, although he chooses not to make projections. "Unfortunately," he concludes, "war only destroys; it builds nothing."

Construction in Recess

Alberto Martinez, president of the Chamber of Construction, states for his part that when the economy is healthy and production activities have no problems, the construction sector is healthy too. When the economy has problems, the impact is felt in the construction sector as well.

Generally speaking, Martinez says, it is private construction that is impacted but not public construction, which at a time of military conflict such as this is usually stimulated by virtue of necessity. "More highways will have to be built at the border and the damage repaired," he says. The private construction sector, however, will stagnate, because building will be more expensive due to the lack of money and credit and the high interest rates.

According to Martinez, the fact that the construction sector recorded positive numbers last year does not mean it is in a good position. He points out that construction still represents only a small part (less than 3 percent) of the GDP. In 1994 private construction was greatly stimulated by activity in upper middle-class housing, but now demand has declined. Martinez says this contraction of demand actually begun several months before the outbreak of the conflict but has since obviously intensified.

There Is No Shortage

Martinez believes that programs to finance housing for households of modest means must be initiated. He also believes that public works construction should be resumed, and especially the medium-and small-scale projects. "We are very wary of prestige projects such as the oil pipeline, concerning which we have our reservations," he says.

On the subject of the military conflict, Martinez believes that the private sector has handled the crisis fairly well, noting that there have been no shortages and no loss of control. "There is no shortage of cement, and the importation of iron has kept prices stable," he explains.

A Necessary Sacrifice

According to Alberto Enriquez, president of the Chamber of Agriculture of Zone One, the impact sustained by the agricultural and livestock sector relates specifically to the problem with regard to skilled labor. He explains that a large portion of the peasant population has gone to the battlefront, and that this is going to mean a significantly smaller number of man-hours in the agricultural labor force. Moreover, the massive mobilization caused by the military conflict has meant that many transport vehicles are not taking products to market, because they are being used to transport provisions to the Peruvian border.

Enriquez says that although there is tension in all areas, it is greater in the rural areas. In cases where a family member has been sent to the border or has been recruited, the family will not work for two or three days of the week in order to search for news concerning that family member. As a result the fields are being abandoned, particularly on Fridays, Saturdays, and Sundays. Enriquez explains that although the decrease in agricultural manpower will impact production to some extent, the agricultural and livestock sector in any event believes—in his words—that "we shall confront the problem and do so by endeavoring to prevent any rise in the prices to the consumer."

A Sector That Was on the March

The agriculturists—in consultation with the peasants and Indians—prepared a very positive Agricultural Development Law that made it possible to initiate reactivation of the rural areas and the quest for increased productivity. "We accordingly had a sector that benefited from an appropriate legal structure and believed that dialogue could resolve any future difficulty," Enriquez says. Some of the concerns of the peasants were resolved by that law, and certain specific problems relating to individual properties were solved through the instrumentality of credit granted by the Development Bank with subsidized interest rates. That is to say, there was no immediate problem. In the future, however, the agriculturists hope that the dialogue will continue and that agriculture can overcome the effects of the crisis on the border. Enriquez believes that the agriculturists will be faced with high interest rates on loans. "Credit is what sustains the agricultural sector, and without credit the rural areas will not be developed," Alberto Enriquez points out. In conclusion, the president of the Chamber of Agriculture of Zone One believes that the fallout from the military conflict will have major long-term effects on the agricultural sector as well as on most production activities.

A Reality

The cost of the military conflict with Peru will be reflected in Ecuador's economy sooner rather than later. The government's economic team has already announced the changes that will be made in the macroeconomic program that it outlined for this year. In the original program, goals for an overall growth of around 4 to 5 percent were established, whereas the new goal is 3.5 percent; and whereas in the original program inflation was projected to drop to 15 percent by December, it is now expected to be around 18 to 21 percent at year's end.

The chairperson of the Monetary Board has said that—among other things—these goals will have to be renegotiated with the IMF, with which Ecuador has signed a letter of intent. The government is also concerned because of the delay in the program for "modernization" of the economy, which it had basically hoped would this year speed up the privatization of basic sectors of the economy such as the telephone and electric power systems. The expectations for attracting the much desired foreign capital for investment in production have also been lowered.

Until the military conflict, the nation was considered to be in Category "E" as a risk for investors, which is a low level but not totally negative. The military crisis has undoubtedly lowered this international indicator.

For the present, the government is centering its efforts on internal tax collections in order to defray the costs of defense. At the time this edition goes to press, however, elimination of exemptions from the VAT appears difficult to achieve because of the opposition of certain political sectors in Congress.

Peru

U.S. 'Pressure' To Grant Territory to Ecuador Denied

PY2203225395 Madrid EFE in Spanish 2020 GMT 22 Mar 95

[FBIS Translated Text] Lima, 22 Mar (EFE)—The Peruvian Foreign Ministry today ruled out the possibility that the guarantor countries of the Rio de Janeiro Protocol—

Argentina, Brazil, Chile, and the United States—might consider proposals "contrary to the form and spirit" of that treaty.

The Peruvian Government has thus denied several reports disseminated by leaders and press media of the opposition, according to which Peruvian President Alberto Fujimori had yielded to U.S. pressure to grant territory to Ecuador.

In an official communique released this afternoon, the Foreign Ministry explained that the objective of the recent visits of the special ambassadors from Brazil and the United States, Julio Cesar Gomes and Luigi Einaudi respectively, was to guarantee the fulfillment of the Itamaraty Peace Declaration.

"The presence of the two representatives reflected the interest of their respective governments in ensuring the strict fulfillment of the Itamaraty Peace Declaration and in gaining cooperation to achieve the full implementation of the Rio de Janeiro Treaty, guaranteeing the entire demarcation of the Peruvian-Ecuadoran border," the communique states.

In recognizing the work of the guarantors in restoring peace with Ecuador, the Foreign Ministry stressed "the unequivocal remarks" made in Lima by the two ambassadors, who confirmed their support for the legal framework of the Rio de Janeiro Protocol.

"The possibility that some of the guarantor countries might consider proposals that are contrary to the form and spirit of the treaty, the full implementation and validity of which have been fully recognized by Ecuador over the past three months, is thus ruled out," it adds.

The communique concludes by saying that during the talks between Fujimori and the delegates from Brazil and the United States, the Peruvian president reaffirmed that position, and advocated respect for the treaties and for the arbiter's rulings "as essential conditions for the preservation of international peace and security."

The opposition candidates, namely Javier Perez de Cuellar and economist Alejandro Toledo, have hinted over the past few days of the existence of alleged pressure from the United States, and presumed weakness by Fujimori in the face of that pressure.

Both have recognized, however, that they lack concrete information on the matter.

Envoy: Colombia Denies Weapons Sale to Ecuador

PY2203183395 Lima Radio Programas del Peru Network in Spanish 1700 GMT 22 Mar 95

[FBIS Translated Text] Peruvian Ambassador in Colombia Juan Montagne Vidal said today there was no clandestine sale of weapons from Colombia to Ecuador. He said Colombian Deputy Foreign Minister Camilo Reyes assured him there was no such sale, as reported by a Colombian daily.

[Begin Montagne recording] I have been assured officially that there was no clandestine sale of weapons to Ecuador on 4 February. This is what I conveyed to the Peruvian Foreign Ministry in Lima. I held a conversation with Camilo Reyes, and he officially assured me, after the appropriate inquiries, that there was no sale as reported by LA PRENSA. [end recording]

Former Minister Fears Conflict To Continue

PY2203184595 Lima Radio Programas del Peru Network in Spanish 1700 GMT 22 Mar 95

[FBIS Translated Text] Jose de la Puente Radbill [former Peruvian foreign minister] said today Ecuador has been involved in an arms race for a long time in order to continue its hostilities against Peru in the northern border region. He added that Ecuador wants to resume fighting against our troops in the Condor Mountain Range.

[Begin De la Puente recording] Regarding the sale of weapons in general, it clearly shows that Ecuador has been involved for a long time in an arms race that is extremely dangerous for Peru. This is obvious because arm sales are being denounced in different countries. This is an arms race that logically shows weapons are being sold to continue the armed conflict. I am very much afraid that, despite the active and effective action of the guarantor countries, and the presence of other representatives who are seeking the best agreement between Peru and Ecuador, this conflict will continue, and it will continue not because of us, but because of Ecuador. [end recording]

Commentary Criticizes Military Information Policies

PY2303000595 Lima EL COMERCIO in Spanish 16 Mar 95 p A4

[Commentary by Juan Paredes Castro from the "Enfoque" column: "The Veil of Mystery Over a Skirmish"]

[FBIS Translated Text] The most important Peruvian diplomatic and military sources on 14 March categorically denied the occurrence of a recent skirmish on the northern border, which had reportedly resulted in some casualties.

The only information that the media wanted to confirm at the Foreign and Defense Ministries and through the spokesmen of the military observers, which until then had not been easily ruled out, was the following: whether there had indeed been an attack against Peruvian soldiers in the conflict area in which at least one soldier was killed and several wounded.

Basing himself on a military source, and alluding to an alleged new case of what he described as "disinformation," Peruvian Deputy Foreign Minister Eduardo Ponce said "there have been no skirmishes or hand-to-hand combat. News reports in this regard are false."

EL COMERCIO was one of the newspapers that reported the skirmish on the day it occurred, and also provided additional information the following day. These reports were of course based on information supplied by highly reliable military sources, which were obviously not the same as those informing the deputy foreign minister. Ponce was so certain that not a single shot had been fired in Tihuinza, Cueva de los Tayos, or Base Sur that his statement compelled President Alberto Fujimori to confirm the same report in New York: that up to then there had been no violations of the peace agreement between Peru and Ecuador, not even the slightest incident to prompt the slightest protest.

All of us undoubtedly wished that this was indeed the case; that is, an absence of hostilities that would rapidly pave the wave for full peace on the Peruvian-Ecuadoran border.

We believe, however, that a conflict situation such as this one compels civilian and military authorities, and even the observers, to handle information with special zeal.

It can in no way be justified that for the sake of maintaining the cease-fire another secondary need is created, such that of failing to give proper attention to certain information because officials from one party or the other, or from both, believe it could "undermine" the work of the diplomats.

This has to do with the publication yesterday of an obituary in which the Army commander "reports that EP [Peruvian Army] Sergeant Hitler Amasifuen Hidalgo was killed in combat in the Condor Mountain Range."

If there was no small, medium, or large skirmish, if there was no skirmish at all; if the Ecuadoreans continue to be as calm as ever, in or outside Tihuinza, how did Amasifuen die? Was he killed by a stray bullet? By a shot from his own gun? By a snake bite? Or perhaps, and without exaggeration, by a native arrow?

But the obituary, which clearly states "killed in combat," puts the lie to any information to the contrary, unless the Army command has inadvertently put the wrong label on Amasifuen.

There was in fact a skirmish on 9 March which resulted in one dead and a number of injured. Unfortunately this report reached the Foreign Ministry only yesterday, after the deputy foreign minister had denied it on the basis of a military report from the conflict area stating that everything was fine.

The obituary in question and the confirmation of the report virtually corroborate the EL COMERCIO report. In view of this one wonders why Peruvian official military sources did not want to report, even with just a few lines, the story involving Hitler Amasifuen Hidalgo (RIP) and his comrades, who were probably wounded on some slope in Tihuinza.

If we want to be well informed in facing Ecuador, we have to begin by being honest with ourselves and with those who, like our soldiers, have sacred duties to fulfill and are perfectly able to distinguish between a true cease-fire and one that is merely on paper.

Moreover, we are aware that the military observers are not willing to supply information about their work, and that the Foreign Ministry relies on information that is supplied to them from the conflict area. In view of this, it would be a good thing for Peru and the guarantor countries to establish some sort of information policy that is applicable to the current situation.

Shining Path Planning Campaign To Disrupt Elections

PY2303021395 Lima LA REPUBLICA in Spanish 13 Mar 95 p 8

[Article by Angel Paez of the Investigative Unit]

[FBIS Translated Text] Intelligence sources at the Armed Forces Joint Command and the Interior Ministry report that anti-terrorist units from the Armed Forces and from the National Police have verified that Shining Path has been implementing a "military campaign" throughout the country since 28 February 1995, in an effort to disrupt the electoral process.

The diminished Maoist organization led by Oscar Alberto Ramirez Durand, (alias) "Feliciano," has taken advantage of the deployment of troops to the border, and of the state of alert in police regions due to the conflict, to reorganize and strengthen groups of fighters to try to disrupt the 9 April elections.

The arrest in the capital of active members of Shining Path cells, who were carrying blueprints of National Election Board buildings and a list of candidates, has alerted the National Counterterrorism Directorate [Dincote] to a possible escalation of sabotage actions.

Although the latest "intelligence assessments" by Dincote show that in Lima the Shining Path has been receiving blow after blow with the dismantling of cells belonging to People's Aid of Peru, a militarized apparatus that includes death squads, the increasing actions and the nature of the elected targets could mean the onset of a chain of attacks, the objective of which would be to intimidate the public into not voting and to deter candidates from carrying out their political campaigns.

A classified report by the Joint Command refers precisely to the fact that on 6 March 1995 some "political leaders" of People's Aid of Peru held a meeting at the house of "Comrade Rene" in San Martin de Porres to establish the next actions against the 9 April elections.

According to the report, at that meeting the subversives agreed to organize into "people's schools" the most radicalized elements, in order "to carry out an impressive action to mark the beginning of the offensive" to disrupt the electoral process.

Moreover, the cells of the Lima Eastern Zone Committee, which includes the heavily populated districts of San Juan de Lurigancho, Santa Anita, and Ate-Vitarte, among others, have been instructed to obtain dynamite from the mines in the center of the country, in localities such as La Oroya, Cerro de Pasco, and Huancavelica especially.

The same Eastern Zone Committee, as well as those of the north and south, have been ordered to "check" (to study for later attack) the most important power pylons in their areas of combat, in order to cause blackouts and unleash "waves" of attacks against stores and banks to cause panic and an environment of insecurity.

The "intelligence assessments" by Dincote corresponding to January and February indicate subversive movements in three areas in particular: metropolitan Lima, Upper Huallaga, and some zones in the center of the country, namely the Pichis-Palcazu Valley.

Between January and February the Maoists have increased the so-called "grassroots work" in the capital (drafting followers in the universities of San Marcos and La Cantuta, in the settlements of San Juan de Lurigancho, and in Huaycan); attacks on bank agencies to rob money and seize weapons from policemen (Monterrico Continental Bank, for instance); attacks on intelligence troops (they machinegunned Major Luis Camarena Moreno of the National Police of Peru, who belongs to the SIN [National Intelligence Service], and seized his radio transmitter, a pistol, and an automobile); and actions of "armed propaganda" in several points of the city, namely in Villa El Salvador, San Juan de Lurigancho, and Villa Maria del Triunfo.

The Armed Forces Joint Command also followed the terrorists' actions during the first two weeks of March, and its report also coincides with the "intelligence assessments" by Dincote about increasing Shining Path activity in the capital.

Red flags with hammer and sickle have appeared on Macho hill, located in the settlement of Santa Rosa, in Villa Maria del Triunfo. The same thing appeared on the San Pedro de Choque hill, on Puente Piedra, and on the Central Highway at Kilometer 23.

Several walls were also painted with slogans not to vote on 9 April in Zarate, Chosica, San Juan de Lurigancho, Vitarte, and El Agustino.

Dincote feels that the organization that has carried out all these actions in Lima is People's Aid of Peru, led by an individual called "Comrade Rene," which reportedly has eight annihilation cells armed with weapons and explosives. One of those cells, according to the investigations of the anti-terrorist police, was responsible for the attack on retired Police Colonel Angel Garcia Tuesta.

Shining Path 'Expert' Subversive Outbreak 'Weak'

PY2203170195 Lima LA REPUBLICA in Spanish 14 Mar 95 p 17

[FBIS Translated Text] Carlos Tapia, an expert on subversion, said yesterday there is an outbreak of Shining Path subversion, but it is very weak, and does not represent any threat to the 9 April elections.

He said: "The Shining Path no longer has the force to prevent or even boycott the elections."

Tapia indicated, however, that this terrorist organization will not lose the opportunity created by the electoral campaign to carry out some actions.

He added that the Shining Path is already engaging in activities. New Shining Path inscriptions made by the followers of Feliciano have appeared in the zone of Nana.

"Ecuador and Peru together against imperialism," says some of the wall writing and inscriptions in tune with the latest events. Other inscriptions are aimed against Fujimori.

Tapia also said it is possible that the Shining Path will try, before the 9 April elections, to carry out some attacks, although not very important ones.

He noted that the Feliciano followers number about 700 people, divided in various columns.

One of the columns, comprised of 50 to 60 persons, is deployed in the Huarmaca zone, Huancabamba Province, Piura Department.

Another column comes down from Huacrachuco, Maranon Province, Huanuco Department, toward the entrance to the Conchucos corridor.

Tapia revealed that subversive activity has been obvious in this zone, with the takeover, on two occasions, of Piscobamba, capital of Mariscal Luzuriaga Province.

A third Shining Path column is in the Chalhuanca zone, Apurimac Department, adjacent to the southern part of Ayacucho.

A subversive outbreak also occurred here with the takeover of the settlements of Puquio, Palpa, etc.

Tapia noted, however, that the three columns are under "pressure" from the Army. In other words, they are well under control.

Tapia said that, in addition to the three columns, the Shining Path headed by Feliciano has its men deployed in the Huallaga zone.

According to the Army Intelligence Service, the Shining Path has about 400 people in this zone.

Three special detachments made up of about 100 people are operating in metropolitan Lima.

Tapia reiterated that this is a small-scale outbreak of Shining Path subversion.

Tapia gave a concrete idea of the size of the subversive force by saying that of the 2,700 Shining Path members under arrest, 1,200 support Abimael Guzman, who advocates a peace agreement.

Some 1,200 are undecided. They are waiting; they are neither with Guzman nor Feliciano.

Tapia said the Shining Path is now only one-sixth of what it was in the late 1980's.

Therefore, he said, it is a weakened organization.

He added: "This is why, even if it tries to boycott the electoral process, it will accomplish nothing. It will not be a threat to the country."

Tapia asked: "What will it do?"

He said: "Taking advantage of the deployment of the antisubversive troops from Huallaga to the northern border region, it will perhaps continue 'killing' some heads of the peasant defense patrols and some political officials, as has already been done."

He added: "It will paint slogans on walls. It is already doing that."

Tapia indicated that besides those actions and perhaps some attacks, the Shining Path will do nothing else.

He said: "The Shining Path is extremely weak."

He added: "It will not regain its strength. It will continue to be rejected by all sectors, particularly because of its political defeat."

Tapia indicated the defeat is the work of community and municipal leaders, councilmen, and candidates for mayor who refused to accept the "blackmail of the Shining Path."

He said: "The examples of this real resistance are Maria Elena Moyano and Zenobio Huarsaya."

Tapia rejected the possibility of a strong resurgence of the Shining Path.

He said there should be more fear of the appearance of a peasant movement like the one in Chiapas (Mexico).

Tapia said there are 250,000 peasants organized in defense fronts who have about 16,000 shotguns.

He added: "They feel the victors after the war against subversion. They justly feel responsible for the defeat of the Shining Path. They have weapons; they have combat experience."

Tapia said: "Therefore, they can make just demands, make just claims. For example, they can demand electricity, water, schools, etc."

He added: "This could lead to a Chiapas-type peasant movement."

Polls Consistent in Fujimori's Lead

95SM0252A (Internet) Peru DESCO Gopher in Spanish 15 Mar 95

[From Resumen Semanal 8-14 Mar]

[FBIS Translated Text]

IMASEN: AFF (46.6%), JPC (21.8%), and ATM (3.7%)

Between 7 and 9 March, IMASEN carried out a flash survey on the electoral preferences of the voters in Greater Lima. Contrary to the trend seen in the course of the most dramatic moments in the conflict with Ecuador, Engineer Fujimori (AFF) is losing favor and the preferences expressed for Perez de Cuellar (JPC) are on the rise. In the survey carried out by IMASEN in the last week of February, the chief of state was the candidate preferred by 49.6 percent of those polled, but that figure is now at 46.6 percent. In the same poll, the former secretary general of the UN had won 19.0 percent of the intended votes earlier, while in the flash poll this figure was up to 21.8 percent. Alejandro Toledo (ATM), in turn, was unable to halt the decline in the support expressed for him in recent weeks. The percentage of those intending to vote for him dropped from 4.2 percent to 3.7 percent. (Most dailies 12 Mar 95)

Support: AFF (50%), JFC (17%), and ATM (4%)

President Fujimori is now the choice of 50 percent of the voters, but the figure is down four points in comparison with February. Javier Perez de Cuellar (UPP [Union of the Peruvian People]) is holding steady at 17 percent, while preferences for Alejandro Toledo, representing the CODE [Democratic Convergence]-Possible Country, were down from six percent to four percent. The Apoyo, S.A. survey, published in PANORAMA, further showed that the percentage of undecided voters has increased from 11 percent to 16 percent. When asked in the Apoyo survey whether President Fujimori lied or told the truth to Peru when he said we had recovered Tiwinza, 32 percent of those interviewed responded that the chief executive had lied, while 43 percent of the public expressed the belief that he told the truth. (Most dailies 13 Mar 95)

CPI: AFF (54.4%), JPC (18%), and ATM (4.3%)

On the other hand, a survey carried out by the CPI showed that Fujimori would receive the votes of 54.5 percent of those surveyed, while the former secretary general of the UN, Javier Perez de Cuellar, would win 18 percent, and the CODE-Possible Country candidate would win 4.3 percent. It should be explained that the

CPI survey, which involved a sampling of 1,625 individuals, was carried out in only 12 cities. (Most dailies 13 Mar 95)

Opposition Comments

Mercedes Cabanillas, the APRA [American Popular Revolutionary Alliance] candidate for the presidency, after expressing incredulity at the results of the most recent electoral polls, insisted that President Alberto Fujimori has lost more than 10 points in the opinion polls. She added that the decline in the support of this candidate for reelection is due to his erroneous policy in connection with the armed conflict with Ecuador. "I do not believe that the candidate-president has only lost three or four points, as reported by the survey agencies, because he has lost credibility with the people, especially in recent weeks," she added. (GESTION 13 Mar 95)

Guido Pennano, the head of the Union for Peru campaign, said that for his part the opinion polls on electoral preferences continue to have relative value, although a "clear downward trend" can be seen for candidate Fujimori. He noted that there continues to be a "very high percentage" of voters who have not yet decided how they will vote, and the outcome of the coming elections could be practically in their hands. He said that after the debate—within about 15 days—a clearer picture as to the candidates' chances of winning will emerge. (LA REPUBLICA 13 Mar 95)

Election, JNE Treatment of Higuchi Viewed

95SM0252B (Internet) Peru DESCO Gopher in Spanish 15 Mar 95

[From Resumen Semanal 8-14 Mar]

[FBIS Translated Text]

New Accusations

On 8 March, Susana Higuchi and members of Harmony-Frempol presented to the National Election Board [JNE], as "evidence of the injustice" perpetrated against that group's slate, proof of the errors found in the parliamentary lists of five political groups that were given the green light to participate in the coming elections by that highest electoral body. Higuchi stated that she and the members of the Frempol went to the JNE to deliver the evidence supporting their accusation, as requested by the president, Ricardo Nugent. Higuchi alleged that the JNE had accepted for registration parliamentary slates containing serious errors. In some cases, the candidates were not listed on the voters' rolls, and in other instances, voters' booklet numbers were repeated. She mentioned the slates of the IU [United Left], UPP [Union of the Peruvian People], FIM [Independent Front for Moralization], and the Peru Alternative Party [PUMA]. (Most dailies 9 Mar 95)

JNE and the Higuchi Case

Commenting on this move, Mirko Lauer expressed the following opinion. "Susana Higuchi's parliamentary slate should be registered for participation in the elections next 9 April. The number of arguments and defenses she has presented to the National Election Board fully justifies this decision. To date, the JNE has issued no explanation. It has clung to formal considerations that have been losing strength with the passage of the weeks. Higuchi's most recent argument merits consideration. Other slates have been allowed to register despite irregularities in their content. Use of a minor error to invalidate a slate with sufficient signatures shows every sign of being an effort by the JNE to avoid asserting its legitimate authority, based on an arbitrary law preventing Higuchi's participation in the election simply because it does not suit her husband, Fujimori. The JNE has seized upon a detail to justify a tremendous outrage. Perhaps the sector in which Higuchi has accumulated her most enduring and important political capital has to do with her ability to demonstrate that her democratic cause is at the same time a feminine cause. It is in this latter connection that she is beginning to be known all over Latin America—the rejected wife in a struggle with a despotic husband." (LA REPUBLICA 9 Mar 95)

The weekly periodical OIGA (No. 734, 13 Mar 95), for its part, reported as follows. "The scandals in the National Election Board continue. Last week, Mrs. Susana Higuchi charged that various political groups committed the same error as Harmony-Frempol did when registering their slates for the parliament seats. Because of this irregularity—the repetition of seven names—the Board refused to register this slate on the grounds that it was incomplete. However, the same yardstick was not used to measure the other political groups that this highest electoral body did accept for registration. We do not have space enough to print the lengthy list of instances reported by Mrs. Susana Higuchi in which errors were corrected after the registration deadline. However, the JNE denied the International Commission on Human Rights of the OAS request that the Harmony-Frempol slate be registered, arguing that no group can be allowed to set itself a new deadline for making corrections. Yet the evidence presented by Mrs. Susana Higuchi shows its actions have been quite the contrary."

OAS, Transparency Agree No Need To Postpone Election

95SM0252C (Internet) Peru DESCO Gopher in Spanish 15 Mar 95

[From Resumen Semanal 8-14 Mar]

[FBIS Translated Text] Santiago Murray, the head of the OAS observers' mission, said in Bagua on 8 March that there are no good reasons that would justify postponement of the elections scheduled for this coming April. He made this statement during his visit to localities on the border with Ecuador to observe the situation of the displaced persons and ascertain their voting rights. After noting that the decision as to whether or not to postpone the election falls exclusively to the National Election Board [JNE], this official said that on the basis of the assessments made by the organization he represents, such postponement is unnecessary. In the particular case of the persons displaced by the conflict with Ecuador, he said that after three days of visits to Jaen, Bagua Chica, Bagua Grande, and, earlier, Tumbes, he had observed that these displacements were minimal and that the residents threatened by the beginning of wartime hostilities in the Condor Range have, for the most part, already returned to their homes. In any case, he commented, the JNE is in a position to guarantee the normal development of the elections in the frontier zones. [EXPRESO, EL MUNDO 9 Mar 95]

The civil organization known as Transparency made its position against postponing the 9 April elections clear in a public statement. Thus its view coincides with the opinion of the National Election Board. Rafael Roncagliolo, the representative of the technical secretary of Transparency, said that his organization has found that the situation with regard to the war on the northern frontier has become calmer, and that the focus of public attention has returned to the developments in connection with the electoral process. Transparency also confirmed that conditions favor the electoral process in a document signed by the president of the organization, Luis Jaime Cisneros V. These conditions include general confidence in the autonomy and integrity of the JNE, a strengthening of the role of civilians in this process, and the steps taken to fill the existing gaps in the legal provisions. [EL COMERCIO 11 Mar 95]

Opposition Press Decries Military Scapegoat Politics

95SM0252D (Internet) Peru DESCO Gopher in Spanish 15 Mar 95

[From Resumen Semanal 8-14 Mar]

[FBIS Translated Text]

Others' Triumphs and Our Own Defeats

The weekly periodical CARETAS (No. 1353, 9 Mar 95) reported as follows. "The surprising removal of General Vladimiro Lopez Trigoso and the excessive criticisms that have begun to appear in the government media outlets have surprised the public and caused profound unease in the Armed Forces. In reality, the main responsibility would be borne by those who sent the troops into combat without properly calculating that the resistance of the invader would be extremely forceful. Then the hasty dispatch of additional troops to the front began, resulting in the concentration of heavy troop strength that it became difficult to supply. Even if General Lopez Trigoso had been among those responsible, the responsibility would have been shared with his immediate superior. From the operational point of view, the division was directly linked with the Joint Command of the Armed Forces. The head of the Joint Command is Nicolas Hermoza himself, and the chief of the General Staff was Luis Perez Document. How is it that the criticisms are raining down on General Lopez Trigoso exclusively, while the chain of command is ignored? In the Armed Forces, an institution that is vertical and hierarchical in structure par excellence, the commanders are responsible for the actions of their subordinates. At least this was the prevailing principle until the current commanders were enthroned in their posts. For example, in the La Cantuta case, those who were tried and convicted as having been responsible for the crime were subordinate officers. The superior officers were left out of the process. This is what happened with Nicolas Hermoza and Luis Perez Document. Today, these two generals hold key posts in the Joint Command, which is presumably the body that planned and directed the operation. However, they have been excluded from any accusations. Not only that, but General Perez Document has been appointed commander of the newly created Sixth Region. In other words, it will be he, in fact, who will control the investigations carried out to establish where the blame lies. The controversial General Manuel Ortiz Lucero, whose name was found in the drug memorandum of Jose Luis Mendiola, one of the leaders of the Lopez Paredes clan, has been appointed as operational head of the General Staff of the Sixth Region. General Lopez Trigoso is the administrative head of the General Staff. This is a contradictory move, because if the this officer's problem was inefficient management of the supplies, as the government press says, how can he be assigned to a post in which he will be dealing with exactly these same matters? In short, Nicolas Hermoza is once again assuming no responsibility. And in those matters with which he had nothing to do, such as the capture of Abimael Guzman, which made the defeat of the Shining Path possible, he has stepped forward to claim victory. In other words, the commanding general claims credit for the triumphs of others but washes his hands of his own defeats."

The Military Defeat That Cannot Be Concealed

According to Fernando Rospigliosi (CARETAS No. 1353, 9 Mar 95), "The sudden government media attacks on General Vladimiro Lopez Trigoso, who commanded the Fifth Forest Infantry Division until last week, have served to destroy the fiction of a military triumph over the invaders. Because it would be absurd to treat a triumphant military commander in this way. There can be no doubt, moreover, that the attacks on Lopez Trigoso are coming from the government. Not only because they were set forth in the pro-Fujimori daily newspaper EXPRESO, and on the Panorama program on Channel 5, which is exemplary in its support of the government, but because normally, charges of this nature against an Army general who has been commanding a battlefront in a wartime conflict would have led not only to an immediate and energetic denial from his institution, but also to prosecution, and probably a fine, for whatever media agency dared publish them. In other words, EXPRESO and Panorama put forth these charges in the conviction that nothing could touch them. And in an authoritarian civil-military regime like that at present, only those who know they have government support could have that certainty. Why is the government attacking General Lopez Trigoso in this way if it is obvious that it is thereby contributing to bringing its own lie about a military victory tumbling down upon it? The nature of the maneuver is becoming clear. At a time when the military defeat cannot be concealed, Lopez Trigoso is being accused in order to make him the individual responsible for the disaster. Perez Document, a general who is not exactly brilliant or capable, is being appointed the new commander of the Sixth Region. However, because of his obedience to the government and because he is one of those to blame for the disaster, he will not hesitate to prevent or divert any serious investigation. And finally, to complete the task, Perez Document has shut journalists out of Bagua and El Milagro. This will ensure that the matter will cease to be reported in the media."

Many Doubts and Rumors

GESTION (12 Mar 95) has reported as follows. "What happened in the zone of conflict before, during, and after the war episodes resulted in a situation that the proper bodies in the Army must investigate. But the Congress of the Republic should investigate, as well. There is responsibility to be established for those killed and wounded, for the rumored inadequacies in the logistic supply of the troops, and for the Ecuadoran infiltrations over several months. This responsibility should be clearly established promptly—but, at the same time, justly. It is surprising, for this reason, that General Vladimiro Lopez Trigoso, the very man accused of the inefficient management of the supplies, has been appointed as the administrative head of the General Staff, and that two controversial generals have been appointed to the leading posts in the Sixth Military Region. And with great speed. We are not defending Lopez Trigoso. But this matter lends itself to many doubts and rumors, which must be cleared up."

Expert on Urgent Need for Military Modernization

95SM0252E (Internet) Peru DESCO Gopher in Spanish 15 Mar 95

[From Resumen Semanal 8-14 Mar]

[FBIS Translated Text] Experts Edgardo Mercado Jarrin and Enrique Obando, who were brought in by the Peruvian Center for International Studies to discuss national security priorities, stated that Peruvian superiority in a war situation is exclusively numerical, because a process of modernization is urgently needed. They maintain that this process should include, apart from the repair of the existing war materiel, a program of purchases, basically of electronic war equipment, as well. "The Ecuadoreans are continuing their strategy of bringing the conflict to a focus every so often, because they know that they cannot embark upon total war, in which they would find themselves at a disadvantage," Enrique Obando said. (LA REPUBLICA 11 Mar 95)

Editorials Give Social Summit Low Marks

95SM0252F (Internet) Peru DESCO Gopher in Spanish 15 Mar 95

[From Resumen Semanal 8-14 Mar]

[FBIS Translated Text] EXPRESO [14 Mar 95] reported as follows. "If the problem of poverty throughout the world could be resolved based on the extent of the rhetoric expressed in this connection, the poor would long since have vanished from the earth. The summit meeting on social development in Copenhagen was no different in terms of rhetoric. Its only result, in the long run, will be the endorsement of a new focus for the establishment by the international bureaucracy of new bodies and programs that will provide golden employment for an equal number of other bureaucrats formerly involved with the statist models of the past. What do phrases like creation of an economic, political, social, cultural and legal framework that will favor social development' mean? Or eliminating poverty through decisive actions on the national and international cooperation levels'? They mean nothing. The universal implementation of reforms and the elimination of protectionism and farm subsidies in the rich countries in order to provide the poor and emerging nations with a share in the world division of labor were the only valid and serious commitments that could be made. They were omitted. And, making the contrary point, the document is based on the assumption that reform will lead to poverty. Commitment No. 8 reads as follows: To ensure that when structural adjustment programs are approved, they include social development goals, in particular the elimination of poverty, and the promotion of full and productive employment...' As if structural adjustment or reform would not be undertaken precisely in order to create the economic and state context that will make it possible to generate wealth and eliminate poverty. Poverty is the result of policies that favor statism and those who live on investment income, and not the reverse."

If little girls were from the time they are born to receive the same socioeconomic and human treatment as little boys, there would now be a hundred million more women in the world than there are, according to data released on 7 March by the United Nations Development Program [UNDP]. It is estimated that in China alone, 44 million women have "disappeared" as a result of the implacable birth control campaign based on the "one couple, one child" principle and the infanticide of baby girls that is tolerated. Parents feel that since they are forced to choose, it is better to kill a child and chance their luck again until they produce a son who can work the land. Women account for 52 percent of the more than five billion individuals currently populating the planet, but they account for more than 70 percent of the

1.3 billion poor people the specialized bodies of the UN estimate there are in the world. Also, two-thirds of the 885 million adult illiterates reported in the United Nations Educational, Scientific, and Cultural Organization [UNESCO] Fund census are women. It is estimated that of the 23 million refugees in the world, 75 percent are women and girls, based on the latest data from the UN High Commission for Refugees [UNHCR]. [LA REPUBLICA 8 Mar 95]

Army Officers Under Investigation for Drug Connection

PY2203205495 Lima EL COMERCIO in Spanish 11 Mar 95 p A11

[By Miguel Ramirez]

[FBIS Translated Excerpt] Three Army officers who until last year worked at the Leoncio Prado military detachment, the seat of the Huallaga political military front in Tarapoto, have been identified and summoned to testify for their alleged involvement with Jose Tito Lopez Paredes, chief of the "Los Nortenos cartel."

EL COMERCIO traveled to Tarapoto, and was able to confirm that the officers under investigation have been identified as Commander Angel Dongo Caceres, aka "Angel"; Commander "Ivan," whose name could not be confirmed, but we were able to obtain his picture; and Lieutenant Luis Alberto Morales Pizarro, aka "Boris."

Commander "Angel" was the chief of the Intelligence Group (known as G-2); Commander "Ivan" was head of the Operations Group (G-3); and Lieutenant "Boris" is a former convict who served sentence for the killing in 1991 of one of Tito Lopez Paredes' drivers, identified as Jaime Santillan San Martin. [passage omitted]

On 26 February the ad hoc court in charge of investigating the case sent Brigadier General Alfredo Rodriguez Riveros, chief of the political military front, Court Order No. 86-95 ordering him to identify and place these officers at the disposal of the court.

This court order was delivered by assistant prosecutor Antenor Cordova Diaz. Cordova Diaz has been in Tarapoto for the past two weeks in the company of three Dinandro officials. [passage omitted]

Uruguay

Accord Signed With Russia on Horticulture, Biotechnology

PY2103221095 Montevideo EL OBSERVADOR ECONOMICO in Spanish 10 Mar 95 Agricultural Section p 9

[FBIS Translated Text] An agreement between the National Institute for Farm Research (INIA) and the Academy of Agricultural Sciences of Russia will allow Uruguay to gain access to valuable joint research activities in horticulture, biotechnology, and the study of soils.

INIA President Juan Pedro Hounie told EL OBSERVADOR ECONOMICO that the agreement involves very positive cooperation in an area in which both Uruguayan and Russian scientists have extremely interesting experiences to exchange.

During a ceremony at the Russian Embassy in Montevideo, Lev Ernst, the vice president of the Academy of Agricultural Sciences of Russia, and INIA President Juan Pedro Hounie signed the agreement. Russian Ambassador to Uruguay Boris Golovin; Viktor Dragavtsev, the [Plant Industry] N.I. Vavilov Institute director; and Viktor Pivovarov, the director of the Institute for Improvement of Horticultural Species were also present.

Hounie emphasized that Russia can make a huge contribution in the field of resistance to certain plant diseases and in genetic improvement, especially in the field of biotechnology in which a high degree of development has been achieved.

Hounie said the main INIA objectives include "obtaining improved varieties of wheat, for example, bearing in mind that Russian research in this field is very advanced, and it would be interesting to exchange experiences." In the area of biotechnology, Hounie emphasized Uruguay's interest in continuing the research work conducted by INIA scientists, considering Russia's valuable experiences in various agricultural lines like cereal grains, wheat, and especially sunflowers.

It is also understood that Uruguay can offer significant experience in the improvement of animal husbandry. The experience of our cattle-breeding ranches in genetics might be attractive for Russian researchers.

Following visits by Russian scientists to the INIA experimental stations in La Estanzuela and Las Brujas, to farms and cattle ranches, and a visit by an INIA delegation to Russia, the agreement, with activities scheduled until 1999, was signed.

The horticultural agreement foresees a visit by the INIA Horticulture Program director to Russia during the second half of July to pinpoint joint research activities involving genetic improvement, genetic resources, postharvest management, and pest control.

The biotechnology agreement foresees a visit by the INIA Biotechnology Unit director to Russia during the second half of July to pinpoint joint research activities, with emphasis on improvements in animal genetics and horticultural species.

The INIA La Estanzuela Soil Section director is scheduled to visit Russia in September or October to pinpoint joint research activities involving soil microbiology, symbiotic associations for fixing nitrogen, and organic matter soil dynamics.

Venezuela

Caldera Interviewed on Border Situation

PA2203034995 Caracas EL NACIONAL in Spanish 19 Mar 95 p A-6

[Interview with President Rafael Caldera by reporter Jorge Gonzalez of the Colombian newspaper EL TIEMPO, "special for EL NACIONAL"; at Miraflores Palace in Caracas; date not given—first six paragraphs are an introduction]

[FBIS Translated Text] The whitewashed facade of Miraflores Palace shows no signs of the foiled military uprisings of 4 February and 27 November 1992. Foreign visitors would never guess that the palace's posh chambers had ever come under rifle fire or that its colonial-style verandas had been targeted by mortars.

Nevertheless, the wounds in Venezuela's spirit have not yet healed. These wounds were inflicted by a crisis that suddenly crippled the splendor of the oil-bonanza era, unleashed inflation, and produced recessionary effects in an economy that in the not-too-distant past was booming.

The country now is considering ways to force the return of those bankers who caused a financial crisis which, according to President Rafael Caldera himself, has consumed 16 percent of the country's GNP. The people are stoically enduring adjustment measures that could not be postponed.

Amid the dignified stonework of the high walls of his office, the chief of state says his main source of comfort is the fact that the nation, which has endured two attempted coups, trials against two presidents, and now faces great difficulties, continues to faithfully cling to its democratic values.

Caldera, who has just completed his first year in office, says he is convinced that recessionary pressures are dissipating and being replaced by a slight recovery along the path toward growth.

Although domestic problems fill his agenda, he gives a great deal of importance to tension along the border with Colombia, and he calmly analyzes the situation. Why did he order a military deployment along the border? Are any Venezuelan sectors linked to the ELN [Army of National Liberation]? Why the massive repatriation of farmers from the Perija region? Who is behind the government-denounced plot against Venezuelan institutions? He discussed all of this extensively after cautioning that those who have labeled him "an enemy of Colombia" are wrong.

[Gonzalez] Mr. President, what are the real reasons behind your decision to establish a military theater of operations along the border? How should the Colombian people view this?

[Caldera] The people of Colombia, as well as the people of Venezuela, must realize that the protection of the border is a matter that concerns both countries. The heightening of Venezuelan military resources there above levels normally permitted by our financial resources is necessary because of the attacks we have suffered. The painful Cararabo incident culminated a series of tumultuous events carried out by Colombian guerrillas, such as the kidnapping of Venezuelan farmers and businessmen. These Venezuelans are taken to Colombian territory from where large ransoms are demanded.

We view the presence of Colombian military units on the other side not as an act of antagonism, but as protection, because this presence expedites communications with our Armed Forces and contributes toward preventing new actions of this nature. This is why we sincerely hope that the Colombian military and civilian authorities' willingness to correct the situation and eliminate it as much as possible be felt in the area.

[Gonzalez] Is there such willingness? Does Venezuela doubt Colombia's willingness to patrol the border?

[Caldera] Concerning doubt about its military capability, no; but concerning its political willingness, sometimes, yes. As we perceive it, other objectives have been given priority, and the matter we are discussing has been relegated to a secondary place.

[Gonzalez] The troops you have ordered to the border are an indication that your government plans to exercise the famous hot-pursuit strategy.

[Caldera] The principle of justified self-defense prevails in all territories that lack protection or face cross-border attacks. We would like the legitimate Colombian authorities to counter these aggressions. If there is a power vacuum, however, then there is room for implementing legitimate self-defense principles that are accepted worldwide. No one must think we want to disregard Colombia's sovereignty. On the contrary, any operation against these guerrilla forces would cease immediately upon the arrival of Colombian forces. Moreover, I sincerely hope these operations never have to take place.

[Gonzalez] Do you think President Samper has adequately established Colombia's position with regard to the hot-pursuit policy? Also, would your government permit Colombian troops to cross into Venezuelan territory in an emergency?

[Caldera] He is correct in presenting this argument, but no one honestly believes a group will emerge in Venezuela with the intention of entering Colombian territory to harm people or to cause damage. In Venezuela, thank God, we have not had guerrilla movements for 20 years, and the internal pacification problem has been resolved. If we had these movements, or if a similar situation were to emerge, we would perfectly understand that pursuit cannot end at the border. These lines mark sovereignty, but they do not comprise a Maginot Line or an impregnable rampart.

The bilateral thesis of legitimate self-defense is philosophically sound and defensible. When Venezuelans hear this argument, they, in view of the facts, respond by saying: "No one on this side of the border has attacked Colombia or is thinking about doing so."

[Gonzalez] What would happen if Venezuelan troops, making use of the legitimate defense you claim and in hot pursuit, fight Colombian guerrillas inside Colombian territory and suffer casualties? What would happen in light of public opinion?

[Caldera] It would have to be a special and demonstrative case and justifiable as legitimate defense. Regarding this issue, there are perfectly outlined and defined conditions and requisites in legal and philosophical essays. Also, excessive defense, for example, is condemned by all systems in the world, in domestic and international law.

[Gonzalez] According to information your government has, are there any Venezuelan citizens to blame for the incidents in Cararabo?

[Caldera] I could not say no for sure. Certain Venezuelans living in the area have been heavily influenced by the Colombian guerrillas. According to what we have been told, Colombian guerrillas also enjoy much influence among regional elected officials.

[Gonzalez] You and high-ranking Venezuelans have said Colombia has neglected its borders. Is this not, in fact, also true of Venezuela?

[Caldera] It is, because we did not have organizations of violent groups around our border area. There has perhaps been a certain degree of neglect, because it never did occur to us when casting our national defense plans that we could have groups of bandits on our borders.

Certain people say, using improper but worrisome language, that these are liberated areas, that there is a sort of territory in which Colombia's national power is not enforced and is, instead, enforced by various guerrilla groups. This idea, which spreaders of propaganda have been selling, has caused much harm and tends to poison relations. I cannot accept or share the idea that protecting the country's most densely populated area, basically the mountain area, Santa Fe de Bogota, and the main cities, diminishes the importance of security for lower areas in the plains, where guerrilla organizations operate just too easily.

[Gonzalez] President Samper says that there are agents interested in harming relations between Venezuela and Colombia and that the guerrillas are one of them. In Venezuela's case, who would these agents be?

[Caldera] It seems, unfortunately, there are Venezuelans who, without fully realizing the harm they can cause, encourage unrest and even establish relations with irregulars on the other side of the border. I do not want to go into detail, because this time is not the most appropriate moment. Both governments are aware, however, of these events that have taken place sometimes with a certain unshameful publicity.

[Gonzalez] The leaders of the ELN are seeking Venezuela's recognition of their importance. Would your administration be willing to open a dialogue with them?

[Caldera] Venezuela is not a part of Colombia's painful problem of violence. We are, of course, a part of the struggle against drug trafficking, because it is an international crime in which we are all committed to fight, but no negotiations whatsoever with any guerrilla movement will be undertaken by the government over which I preside.

[Gonzalez] Do the discretional operations carried out by Disip [Directorate of Intelligence and Prevention Services] against the 200 Revolutionary Bolivarian Movement, led by retired Commander Hugo Chavez Frias, mean the state at least presumes they are linked to the attack on Cararabo or the Colombian guerrillas?

[Caldera] I would prefer not to mention that gentleman.

[Gonzalez] Your interior minister has told the media there is a destabilization plan against Venezuelan institutions. What does the plan consist of, and who is behind it?

[Caldera] There are several groups that argue the difficult economic situation and the problems that cannot be resolved in one year could cause a social explosion. They harbor the hope that a social explosion will bring them to power. There is thoughtless literature in this regard that is even fanned by political leaders. Fortunately, the great majority of the people are perfectly aware of these intentions, and they accompany us in the search for peace and a solution to the country's problems for this reason. We also have solid support from the Armed Forces, but the government has to take preventive measures, because we cannot wait for these events to take place and then begin repressing them at a greater cost in lives and property.

[Gonzalez] Within the tension unleashed between Colombia and Venezuela, a certain rejection is noticed among certain groups here regarding the investment of Colombian capital. We read in the newspapers that if Colombian investors ever became partners with Banco Union, the military would immediately carry out massive withdrawals of their deposits in that bank.

[Caldera] I admit there is a sentiment that some in goodwill and others with the purpose of using it as political propaganda, perhaps with electoral designs, are trying to promote. In contrast, an important thing is taking place: The governments have the best relations in a long time, and economic groups have an intense and cordial exchange. It is evident certain propaganda is trying to poison people's minds.

The propaganda occurs on both sides. I cannot understand why people in Colombia, which I appreciate and with which I have had cordial relations, now influence the press and the media to depict me as an enemy of Colombia. They have gone so far as to say I was like this during my first administration. Quite the contrary. My first trip abroad in the first administration was to Santa Fe de Bogota for the first sesquicentennial of the Battle of Boyaca. I also established cordial and constructive relations with President Pastrana Borrero, who was president at the time, and I believe his only trip abroad was to join us for the celebration of the first sesquicentennial of the Battle of Lake Maracaibo. In fact, the battle commander was a Colombian, Admiral Padilla.

With Colombia, we have not only ties established by a history of shared origins, language, participation in the war of independence, and other romantic issues. Our two countries must also understand they need each other and have a common destiny.

[Gonzalez] Going back to the border issue, Santa Fe de Bogota does not understand very well why the governor of Zulia State has unilaterally decided to repatriate en masse Colombians from the Perija Mountain Range before the date approved through diplomatic notes.

[Caldera] The extremely critical incident that has occurred resulted from reports from intelligence services that have stated some of the people settled in the Perija Mountain Range were informers of irregular Colombian groups.

The established deadline was not a pledge or a diplomatic negotiation. It was an amiable concession from the Venezuelan state. When some Venezuelans enter Colombia illegally, their repatriation is not negotiated. The Colombian Government simply repatriates them, puts them back at the border. Twenty tourists who went to Barranquilla recently were deported, and Venezuela did not protest this. Anyway, the issue is handled differently, and I understand it, because we are an immigration country. This should not be so, because the bolivar is in a constricted condition while the Colombian peso is in good condition.

[Gonzalez] Repatriates complain the Venezuelan National Guard mistreats them, and they say their condition as immigrants does not negate their human rights.

[Caldera] Excesses have indubitably occurred on occasion, and we have struggled against this. Violations will undoubtedly be punished. The Armed Forces are quite interested in having their members respect the principle about the ethics of their procedures.

Colombia must now recognize our inalienable right to repatriate these individuals who enter the country illegally. By the way, many of them stay and participate in the country's normal activities. Entire neighborhoods in Caracas and other cities are inhabited by Colombians only. They have not been denied any vital service.

[Gonzalez] Your foreign minister stated recently in a so-called "protest note" that Colombia has been negligent regarding the extradition request for drug trafficker Larry Tovar. Nevertheless, Venezuela's initial request was for a deportation. By replacing it with an extradition request, it faces similar requests from the United States and Italy.

[Caldera] I understand that the legal processes in all our countries are slow and that we are striving to expedite the management of justice when we talk about state reforms, but there is another, very critical issue, and I hope you do not mind my bringing it up. Tens of thousands of cars are stolen in Venezuela and taken to Colombia, but the critical point is that a sizable number of them are in the hands of the Colombian police and authorities. There is no reason why they should not be returned to us.

[Gonzalez] President Samper has said it is time to cool off the incident provoked by events in Cararabo. Do you share that opinion?

[Caldera] Wholeheartedly. My appeal to the people in both countries is an appeal for reflection. The Venezuelan people will undoubtedly calm down when civilian and military authorities give us a clear and determined indication that they give the problem all the importance it requires and that they respond to its demands.

I once said in Santa Fe de Bogota our two countries would win the gold medal if a contest were held among bordering countries to see which ones had the best relations, because we have set an admirable example of coexistence although we have an extensive border where complicated situations sometimes arise.

There is no other case in the world like that of Venezuela, which loyally abided by a decision from the regent queen of Spain in 1891, when more than 100,000 square km of land occupied by Venezuela were peacefully turned over to Colombia. Families of Venezuelan origin are still there. A ruling was issued by the queen of England to settle a dispute between Argentina and Chile. Because the ruling was unfavorable to Argentina, a new military conflict almost occurred. I sometimes wonder whether our Colombian friends realize what this means for a country that has behaved in a truly exemplary manner.

Minister: No Reason for Colombia To Protest Repatriations

PA2203041595 Caracas Venezolana de Television Network in Spanish 0200 GMT 22 Mar 95

[Report by Pedro Prado from "The News" newscast]

[FBIS Translated Text] Venezuela insists there was no mistreatment involved in the operations carried out to evict 463 peasant settlers who were living illegally along the Perija Mountain Range; therefore, the Colombian Government's protest in this sense is inadmissible, and our country cannot accept it.

[Begin Defense Minister Moises Orozco recording] There is no reason for Colombia to claim mistreatment of the peasant settlers who were repatriated from the Perija area. [end recording]

This is Defense Minister Moises Orozco Graterol's response to a report from Santa Fe de Bogota stating that Colombian President Ernesto Samper has said the Colombian Government will file a protest note before Venezuela if it is proven the Colombian settlers who were living along the Perija Mountain Range were mistreated. The defense minister has said everything had taken place strictly in accordance with the rules and the laws:

[Begin Orozco recording] It is totally false. There is something that is quite clear. Prosecutors, the church, and the consul were present there. There was no intention of mistreating anybody. We simply carried out an operation to restore the sovereignty we must maintain in that territory. [end recording]

Minister Rules Out Continuing Suspension of Rights

PA2203173995 Caracas EL GLOBO in Spanish 21 Mar 95 p 3

[Report on interview with Interior Minister Ramon Escovar Salom by Judith Martorelli; place and date not given]

[FBIS Translated Text] Threats to social peace have diminished in view of the preventive measures adopted by security officials. This was stated by Interior Minister Ramon Escovar Salom after meeting with the president of the Republic.

The interior minister ruled out the possibility that, following the dismantling of an alleged subversive plot, it will be necessary to maintain the suspension of rights.

[Martorelli] Teodoro Petkoff says the subversive plot is a show.

[Escovar Salom] I know there are people who are confused, but the fact is that a series of disturbances were planned. What would the government gain from inventing this? Could it be, perhaps, a smokescreen? What for? The government, in an open and sincere manner, recognizes that there are many problems. But the achievements cannot be ignored either. One year ago there was talk of a civil war and I would say that those who were thinking of taking power through subversive means were living a tropical fantasy. Then many scoffed at me. I admit the economic situation is disrupting social peace. Nobody can deny this.

[Martorelli] Who is responsible for this plan? Chavez?

[Escovar Salom] The government has not mentioned anyone in particular. What the government has done is give protection to Chavez, although he has outdone himself in his remarks about the president.

You should not have the slightest doubt that this government is determined to reestablish authority and that the hooded ones [encapuchados] and those who seek to generate violence will be up against the government and the security forces.

Escovar Salom announced that representatives of the university community are ready to publicly oppose the hooded ones. The orders from the Interior Ministry to the security forces are to seek out the hooded ones wherever they are hiding. The interior minister hopes that Venezuelan society will reject the hooded ones.

[Martorelli] Are you willing to seek out the hooded ones in the universities?

[Escovar Salom] They will be detained wherever they are seen, but not inside the universities.

[Martorelli] Would the subversive plot be reason enough to maintain the suspension of rights?

[Escovar Salom] I will not answer that for now. Remember that the rights were suspended because of the financial crisis. They will be reestablished to the same extent that the legal vacuum that exists as a result of the crisis is filled. The government has no interest in keeping them suspended for a long time.

To charges of abuse by the security forces, Ramon Escovar Salom requested evidence that the Disip [Directorate of Intelligence and Prevention Services] has violated the legal provisions having to do with raids. He said the Disip director has instructed officials not to use so-called ski masks in "house visits."

Ramon Escovar Salom established some differences between the repressive actions of this government in the dismantling of an alleged subversive plot and those of former governments.

Compare the style and remember that even a journalist was killed, he said. [sentence as published]

Escovar Salom announced that the policeman, who was accused of killing a student in Aragua, has been detained and legal proceedings against him have been initiated.

He reiterated that the government is ready to respect civic protests and to contribute with preventive measures so that they can be held democratically.

Minister: No Joint Operations With Colombian Army

PA2203201495 Caracas EL NACIONAL in Spanish 21 Mar 95 p a-2

[Report by Patricia Spadaro G.]

[FBIS Translated Text] Border Affairs Minister Pompeyo Marquez said "that once and for all we must clarify" that the Colombian and Venezuelan armies will not operate jointly on the common border, but will operate in a coordinated manner.

He explained: "The difference is that coordinated actions are those carried out through the exchange of information received through intelligence work, but when we speak of joint operations, this is when both forces collaborate on a single operation. It is not the same and it is not spelled the same way.

Asked about the validity of the controversial hot pursuit proposal, which would allow the armies to cross the border to capture the rebels, Marquez replied only that "what is valid is the president's word. The president has said that Venezuela has a legitimate right to self-defense and to respond to any aggression of which it may be a target."

In any case he reiterated that, in his opinion, Colombian troops should not be allowed to enter Venezuelan territory "because we are not the ones attacking Colombia."

Regarding the current border situation, where the governments of the two countries have deployed more than 10,000 soldiers, the minister highlighted the fact "that at this moment there is practically unanimous support for the government's decision to create a military theater and to militarily strengthen the area."

Marquez gave assurances, based on results from the latest reports over the alleged participation by Venezuelans in the attack on the Cararabo border post in Apure State, that one can say "that there is no information that Venezuelans took part in this incident."

Regarding reports over the alleged connection between Lieutenant Colonel Hugo Chavez and the Colombian guerrillas, the minister denied having personally implicated Chavez, as certain news media have reported, and explained that what we have is the information in writing given to the Venezuelan Government by the Colombian Government," referring to the letter President Samper himself sent a few days ago to Rafael Caldera.

Asked about another "hot" topic on the Colombian-Venezuelan bilateral agenda, such as the theft of Venezuelan vehicles that are taken to Colombian territory, the minister underscored that "up to now the neighboring government has not had the political resolve to deal with the topic of stolen cars."

He explained that Venezuela approved the draft treaty signed at the time by Colombian Foreign Minister Nohemi Sanin and Venezuelan Foreign Minister Fernando Ochoa Antich and now approval is awaited by the Colombian Congress which began its sessions on 16 March.

Marquez said, nevertheless, that "we Venezuelans are much to blame in this matter, both in terms of car thefts as well as escapes into Colombia."

Asked how many vehicles has Colombia returned up to now, he responded that the amount is insignificant.

President Swears In Banking Superintendent, Fogade Head

PA2203232195 Caracas EL GLOBO in Spanish 21 Mar 95 p A-1

[Report by Judith Martorelli]

[FBIS Translated Text] The president of the Republic swore in the new banking superintendent and the president of the Deposit Guarantee and Banking Protection Fund [Fogade] yesterday. The appointments (temporary in nature) went to Francisco Debera and Enrique Nucete.

Debera and Nucete will carry out the responsibilities that were assigned to them approximately 15 days ago, after the former heads of their respective offices presented their resignation when the Emergency Finance Board (JEF) was reorganized in accordance with plans prepared at the Finance Ministry.

After the official event, Debera was the first to face the press. According to what he said, the Bank Superintendency (Sudeban) is working to adapt its structure to the new JEF, in which Sudeban's and Fogade's participation is not mandatory.

[EL GLOBO] Are you concerned about a loss of functions suffered by Sudeban?

[Debera] No, I am not a politician. There are new plans at Sudeban, and it has a new focus. You will see the results of all this.

[EL GLOBO] Do you have a new position on the handling of the financial crisis?

[Debera] No. My mandate is a concrete one: Sudeban is a technical organization. The handling of economic affairs is the responsibility of the JEF.

Debera said his position is that actions must be geared to recovering the trust in Sudeban's tasks. The wave of bankruptcies that hit the economy in the past months has seriously deteriorated the public's trust in this institution.

[Debera] Sudeban will have the tone that befits it. It will be a technical organization. We will review the human and technical resources as well as the programs we have. We indeed have to reorganize, and that is exactly what we will do although the results will not be seen in the next months.

[EL GLOBO] How can you be so optimistic in a post that is being questioned so much?

[Debera] I have always been an optimist and believe you can achieve your goals when one works with honesty and has a good team. The worst thing to do is nothing. We have to obtain positive results from the crisis. Furthermore, the JEF is willing to back our work.

During the two weeks Debera has been studying the scope of the financial crisis in the country, he has not received reports that other banks have problems. He is a definite optimist: "I believe the worst part of the crisis is over."

Fogade President Enrique Nucete has announced a committee has been established under the coordination of his organization to determine the legal procedures that will be used to liquidate the intervened banks. This committee will include representatives from the Prosecutor General's Office, Sudeban, and the intervened banks.

Nucete has tried to quell the fears that have arisen from an apparently slow reprivatization of the assets of the intervened banks. The Fogade president said assets such as real estate are "being safeguarded in order to prevent them from devaluating," and he also rejected that other assets may be confronting losses due to devaluation.

He said that each bank has been assigned an auditor or administrator responsible for protecting and safeguarding all assets under custody. In this regard, he stipulated that an inventory encompassing all assets under custody will be prepared by Fogade in order to establish precedence in terms of future sales.

According to the Fogade official, it would be impossible to prepare a final privatization agenda at this stage, and he said the JEF has been receiving reports prepared by the bank auditors that will be specific enough to allow the adoption of swift policies.

[EL GlOBO] Will those obligations still pending with certain account holders be paid?

[Nucete] The JEF must approve any program that tends to modify the existing status. We plan to adopt decisions in a coordinated manner with Sudeban and with the cooperation of the Attorney General's Office, all of this supervised by the JEF.

Concerning other debts, such as Fogade's debt with the Bank of Venezuela, he said several options are being analyzed. The solution, he added, does not exclusively depend on Fogade but also involves recommendations by several government institutions, and it also requires a state program.

[EL GLOBO] Is Fogade able to support those banks facing liquidity problems?

[Nucete] I am guarantor of Fogade's administrative continuity and its ability to face the crisis, as it has been doing so far.

Development, Agriculture, Planning Ministers Sworn In

PA2203170995 Caracas Venezolana de Television Network in Spanish 1550 GMT 22 Mar 95

[Report by Pedro Prado from the "The News" newscast]

[FBIS Translated Text] The new development, agriculture and livestock, and Cordiplan [coordination and planning] ministers have been sworn in. Werner Corrales, former head of Cordiplan, has taken over the Development Ministry, while Edgar Paredes Pizzani now heads the Planning Ministry.

The new agriculture and livestock minister is Raul Alegrett, who believes that his main task will be stimulating production to guarantee full supply. Regarding price controls, Alegrett believes that this policy is undesirable and that a formula must be found to do away with it as soon as possible.

[Begin Alegrett recording] I believe it has been positive for a certain sector of the population that obviously cannot keep up with the indiscriminate price hikes in various sectors. As I have said, however, this is a temporary situation, and everything depends on the steps we take to stimulate production, coordinate distribution, and reduce the intermediaries between producer and consumer. [end recording]

While on the topic of ministerial changes, Justice Minister Ruben Creixems and Federal District Governor Asdrubal Aguiar have denied they are planning to leave their posts.

Agriculture Minister Makes Resignation Official

PA2203041495 Caracas Venezolana de Television Network in Spanish 0200 GMT 22 Mar 95

[Report by Pedro Prado from Miraflores Palace in Caracas; from "The News" newscast]

[FBIS Translated Text] In less than 24 hours, another member of President Rafael Caldera's cabinet has resigned. Here is Pedro Prado with a report:

[Prado] Agriculture and Livestock Minister Ciro Anez Fonseca made his resignation official. Anez Fonseca said Congress' request for a vote of censure has prompted his resignation. He believes this political maneuver by Congress was successful although he feels pleased with his work.

Anez Fonseca does not believe there will be any problems in the government because of the resignation of two ministers in the past hours, and he used the occasion to make an important announcement to agricultural producers:

[Begin Anez Fonseca recording] The increase of the agricultural budget to 17 percent has been approved. This increase from 12 to 17 percent implies that the problem of agricultural financing is a thing of the past.

This is truly excellent news for farmers and the Agriculture and Livestock Ministry. Approval of this increase means an additional 35 billion bolivares will be available in its first stage. [end recording]

[Prado] Anez Fonseca made it clear that there will be no subsidized basic staples but that subsidies for several products constituting the group of basic staples will be included. Rumors that Raul Alegrett, former president of the National Agrarian Institute, will replace Ciro Anez Fonseca have also gained strength at Miraflores Palace.

Economic Cabinet Approves Structuring of Investment Policy

PA2303030495 Caracas EL UNIVERSAL in Spanish 22 Mar 95 pp 2-4, 2-11

[FBIS Translated Text] The economic cabinet, headed by Finance Minister Luis Raul Matos Azocar, has approved the structuring of the policy to stimulate investment and production, which was presented by the Development Ministry and is part of the readjustment of the Economic Recovery and Stabilization Program (PERE).

The information, supplied by Alfredo Palacios Marte, general director of the Public Relations and Communications sector of the Finance Ministry and spokesperson for the economic cabinet, has said the policy must undergo modifications on legal and tax aspects so it will provide mechanisms to stimulate business investments.

The customs reforms will be carried out with a view to making the use of the special customs laws more operational and dynamic. Concerning the income tax, it is proposed to extend the term of reduction of this tax to 10 years, given the maturity period of investment can be over five years (as is being contemplated), above all if industrial investments of intensive capital, such as the petrochemical industry, are considered.

It is also planned to extend the exemption benefit for investments involving intangible assets in order to dedicate such expenses to research and development, programs designed to eliminate or prevent environmental contamination, and costs for training programs aimed at improving the qualifications of human resources.

Regarding the tax on luxury items and wholesale businesses, the modification consists of tax exemptions on transfers of the following: machinery and equipment, considering these are capital goods necessary for productive investment, and goods that are the object of popular programs designed by the government, such as the economic vehicle project.

The draft bill of the Free Zone Law, which, like others, will have to be approved by the president during a meeting of the Council of Ministers, seeks to redefine the current law in order to make it consistent with national economic policies and international laws on the matter. An overall reform will liberate restrictions and add elements of definition, an aspect which is considered necessary to permit a broad application of the Free Zone Law and to attract investors and industrialists.

Economic Program Adjustments To Promote Growth, Investment

PA2203175295 Caracas Venezolana de Television Network in Spanish 0200 GMT 21 Mar 95

[Report by Pedro Prado from "The News" newscast]

[FBIS Translated Text] The executive will present modifications to the Economic Recovery and Stabilization Program, PERE, next week. Finance Minister Luis Raul Matos Azocar made this announcement after the new bank superintendent and Fogade [Deposit Guarantee and Banking Protection Fund] president were sworn in.

[Begin Matos Azocar recording] We believe current conditions allow us to act more resolutely. The modifications will allow us to turn the labor factor into a dynamic element that will promote economic growth. We are no longer so concerned about macroeconomic variables and imbalances, and now we see the need for a series of incentives to boost investment. [end recording]

New Bank Superintendent Francisco Debera denied that the process to overcome the financial crisis has been frozen. He said many programs must be reviewed and restructured and says the results will not be seen immediately.

[Begin Debera recording] I believe the worst is over. Based on what I have seen, that is what I think. Thus, I am going to work to get things established. [end recording]

Fogade President Enrique Nucete announced the creation of a new committee to expedite the decision-making process in the liquidation of the banks where there were interventions and the sale of their assets. The committee will be made up of representatives from the Bank Superintendency and the Prosecutor General's Office.

[Begin Nucete recording] We have to give priority to the establishment of legal standards that will allow us to liquidate banks where there have been interventions. [end recording]

Companies Buy CADA Supermarket, Maxy's Store Chains

PA2303042195 Caracas EL UNIVERSAL in Spanish 22 Mar 95 p 2-4

[Report by Luis Manuel Escalante]

[FBIS Translated Text] The sale of the CADA supermarket chain and the Maxy's Store chain was finalized yesterday after 60 days of negotiations. The Grand

Chain of Colombian Stores, [Gran Cadena de Almacenes Colombianos], Cadenalco, acquired 60 percent of the shares.

Of the remaining 40 percent of the shares, 20 percent was acquired by the Polar Group of Venezuela and the other 20 percent by the Makro Group, which has Netherlands origin and Venezuelan participation.

The information provided by the Diego Cisneros business organization has stated the transaction involved $125 million; that is, about 21.25 billion bolivares based on the current exchange rate.

In addition to the 62 CADA self-service stores and the 11 Maxy's stores, which are scattered throughout the country, the Cisneros Group also sold the Abram warehouses, which are located in Maracay and considered the largest in Latin America. They prevented food shortages in Caracas and central Venezuela during the days following the February and December 1992 coup attempts.

Juan Luis Bustamante, who is from Antioquia and had been serving as Cadenalco vice president, is the new general manager of CADA and Maxy's today.

This group is represented in Colombia by Ley Stores, Medias Cristal, and Colombiana de Comercio.

Roundup of Economic Developments

PA2103045195

[FBIS Editorial Report] The following is a compilation of reports on economic developments in Venezuela monitored through 20 March.

The Internationale Nederlanden Bank, ING, has officially announced the opening of its operations in Venezuela. The bank will operate with a capital of 1.2 billion bolivares, and it is the first foreign bank to establish itself in the local market following the enactment of the new General Bank Law in January 1994, whereby the financial system was opened to foreign investment. Mark Schneiders, vice president and general manager of ING in Venezuela, said the opening of the bank is important because it will increase competition within the system, increase financial services, and attract foreign investment. The ING is one of Europe's seven largest banks. (Caracas EL UNIVERSAL In Spanish 14 Mar 95 p 2-5)

The Foreign Trade Institute (ICE) has announced that it plans to immediately design a plan to promote nontraditional exports to the EU, with the participation of the national fruit sector. This disclosure was made on 15 March at a meeting of the Trade Promotion Committee (CPC) to implement the Andean Preferential Tariffs, which have been extended by the EU to Venezuelan products. The CPC was created by the ICE to organize exporters according to their productive sector, to establish permanent communications, to promote exports, and to detect specific export-related difficulties. (Caracas REPORTE DE LA ECONOMIA in Spanish 17 Mar 95 p 11)

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